

NEWS: EUROPE

Two opposition parties unveil manifesto for March elections

French right plans state sell-offs

By William Dawkins in Paris

TAX reforms and state spending cuts, and an estimated FF50bn (33.25bn) worth of privatisations over three years are promised in an election manifesto presented jointly yesterday by France's two centre-right opposition parties.

Greeted as "empty, vague and worrying" by the ruling Socialists, the programme is less sweeping than that of the previous right-wing government in 1986-1988 and reflects the opposition's limited room for manoeuvre at a time of slow growth and monetary instability. "Clarity, change and prudence," were the key

words, said Mr François Bayrou, UDF secretary general.

The opposition alliance, fighting as UDF or Union for France, is set to win the elections, on March 21 and 22, by a record margin, with around two-thirds of the seats in the national assembly, according to recent polls. Yet the manifesto does little to reconcile splits between the pro-European UDF and the Gaullist RPR, half of whose national assembly deputies voted against the Maastricht treaty on European monetary and political union last year.

On monetary policy, the future French government says it will present plans in the spring to make the Bank of

France independent and do all that is needed to support the franc. It proposes a joint Franco-German monetary initiative "so as not to lose the achievements of 13 years' co-operation in the EMS". This is likely to antagonise the anti-Maastricht faction in the RPR.

On privatisation, the UDF plans to sell all state-owned banks, insurers and industrial companies operating in competitive markets. An independent agency will set share prices and select stable shareholders for the privatisation candidates. A significant amount of shares will be reserved for private investors.

State monopolies, like telecommunications, electricity

and gas, and transport, will be opened to competition and their equity capital will be gradually opened to outside investors. The privatisation programme is far less ambitious than that of the last right-wing government, estimated by Mr Edouard Balladur, finance minister of the time, at FF140bn; a reflection of the fact that today's stock market conditions are poorer.

On the domestic economy, the manifesto promises a job creation drive, through a "pact for jobs" between companies and regions to boost training and recruitment, to be rewarded by lower social security and other charges. In addition, tax breaks are on offer for

small businesses. Taxes overall must come down, especially for the middle classes, one-man businesses and to help research and training, it says.

It promises tax and other incentives - including a large public works programme - for construction and housing.

On the government's finances, the UDF plans to reduce the budget deficit - officially estimated at FF184bn last year - by FF110bn over the next three years, according to Mr Alain Juppé, the RPR's secretary general. Of this, FF30bn to FF40bn would come from spending cuts, FF15bn from the impact of growth on tax revenue, and the rest from privatisations.

Metal union threatens strike

By Judy Dempsey in Berlin

IG Metall, Germany's engineering trade union, yesterday said it would use the strike weapon "as the last resort" if employers refuse a wage increase of over 10 per cent this year for its members in east Germany.

The warning follows the start of arbitration talks in Saxony last week. Further talks take place in the other east German states over the next few weeks.

Previous talks broke down after the employers' union said it would not accept rapid pay increases which would bring east German wages up to 82 per cent of west German levels from the 70 per cent level at present.

Yesterday, Mr Klaus Zwickel, vice chairman of IG Metall, said the employers' union was "reneging" on its commitment to income parity between west and east German states by 1994. "The employers are provoking us. We signed a contract in 1991. And we will stick to it. It is only fair, particularly since east German workers have to pay west German prices, and have seen housing and other subsidies sharply reduced."

Mr Zwickel rejected criticism that his union was pricing east German workers out of the market - despite the fact that unit labour costs are about 150 per cent higher and productivity is lower than 70 per cent of west German levels.

But IG Metall union officials conceded that it might not have full backing for any strike call because rising unemployment is eroding the union's active membership.

Most engineering workers, some 750,000 in the east German states, are members of IG Metall. But since unification the number east German engineering workers who have actually got a job has shrunk to 300,000. Also, 50 per cent of these are under the supervision of the Treuhänder, the east German privatisation agency. Further privatisations could reduce the clout of IG Metall.

"We do not want to be pushed into a strike," said Mr Zwickel. "But we will not let our employees be pushed around."

However, several factory managers in west Germany yesterday believed that the employers' union would find a way out of the contract by invoking "revision clauses". This means that employers can argue that if the developments in the new east German states deviated from their original plans, the parties have the right to reconsider the clauses of the original contract.



Rexrodt: had outlook for west, a few hopeful signs in the east

Bonn gloomier on outlook for west Germany

By Quentin Peel in Bonn

THE German government yesterday produced its gloomiest annual economic report in a decade, forecasting a decline in gross domestic product of up to 1 per cent. It was promptly attacked by the opposition for excessive optimism.

Mr Günter Rexrodt, the newly appointed economics minister, said all the economic indicators for west Germany were negative at the turn of the year, including industrial orders, production levels, investment activity, capacity utilisation and, above all, unemployment.

In the east, however, there were a few hopeful signs, especially in construction activity and the service sector, although the economic recovery was still decidedly hesitant, he said.

The other element of extremely cautious optimism to emerge from the report, presented to both cabinet and parliament yesterday, was the forecast that wages will grow by less than the rate of inflation in the coming year. Gross wages would rise between 2.5 and 3 per cent, compared with price rises of around 3.5 per cent, it suggests.

Mr Rexrodt said the priority for the German government must be to avoid slipping into an all-out recession, although Mr Otto Lambrecht, his own party leader in the Free Democrats (FDP), says the economy is already in its sharpest post-war recession.

Mr Rexrodt stressed the importance of the solidarity pact under discussion between the central government, the 16 Länder, and the opposition Social Democrats, as well as employers and trade unions.

He said he had been instructed to produce a report on how to improve the attractiveness of Germany as an investment location, reducing the high cost structure and increasing labour mobility, by September.

The key figures in the government's forecast for the year are a decline in GDP of between zero and one per cent for west Germany, an expansion of 5 to 7 per cent in the east, with an all-German forecast of zero growth.

Average unemployment in the west is predicted to rise by some 450,000 to 2.5m, or a rate of 7.5 per cent, and to increase only marginally in the east to around 1.2m, a rate of 15 to 16 per cent; the national average unemployment would be 9 per cent, the report says.

It forecasts a growth in exports of 1.5 to 2.5 per cent in the west (3 to 10 per cent in the east, where exports to eastern Europe have collapsed), based

on the assumption of a steady revival in world trade, especially in the US economy.

It is based on important assumptions: of a successful conclusion to the Gatt round of trade liberalisation talks; gradual relaxation of international interest rates; a slight depreciation in the value of the D-Mark; substantial efforts to restrict public spending; and wage moderation, including a slowdown in the rate of equalising eastern with western wages. It particularly criticises the "blatant disproportion" between unit wage costs in east and west Germany, with the former now 60 per cent higher than the west, in spite of the collapse of the eastern economy.

Mr Wolfgang Roth, SPD economics spokesman, said there was no clear indication where the 5 to 7 per cent growth rate in east Germany would come from, given the collapse of east German industry. As for a zero overall national growth rate, that would require immediate reversal of the steady contraction.

He sharply criticised the Bundesbank for its failure to cut its lead interest rates more aggressively. He said last week's cuts - half a percentage point of the Lombard rate, from 9.5 to 9 per cent, and a quarter point off the discount rate, to 8 per cent - were a "mincing step" which was "pure poison for the economy".

Mr Rexrodt, however, insisted that only if the central government and the Länder could restrain spending, and the trade unions showed wage restraint, would the central bank have further room for interest rate reductions.

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Barre sounds the alarm over Anglo-Saxon ambush of franc

By William Dawkins

THE CURRENCY markets will launch a heavy but unsuccessful attack against the franc next month, during the French parliamentary election, according to Mr Raymond Barre, former prime minister of France.

Mr Barre, a leading proponent of the hard franc policy and a senior ally of the UDF centre-right party, said the attack will be inspired by Anglo-Saxon financial institutions unwilling to see the creation of a European currency which could rival the dollar. He does not suspect any government influence, he emphasised. The attack will be beaten off by joint intervention by the Banque de France and the Bundesbank.

"I am not among those who see plots everywhere. It's not at all my temperament. But I really think there is a will in a certain number of economic and financial circles not to promote - in fact to do everything to prevent - the creation of European monetary and economic union, and in consequence to blow up the EMS," said Mr Barre.

He would not be drawn further, beyond saying that he knew of a research study by (unidentified) financial institutions analysing the risks

posed by a single European currency for their own businesses. "It's my absolute and objective conviction. I expect, as a result, that there will be a strong assault on the franc before the elections, or in the period of the elections or just after the elections," he said.

The vote, on March 21 and 22, is likely to produce a record parliamentary majority for the opposition centre-right alliance of the RPR, which is divided over the Maastricht treaty on political and monetary union, and the pro-European UDF. "When these foreign circles see that a strong pro-RPR is hostile to the Maastricht treaty and to French monetary policy, they ask themselves if a government of the new majority tomorrow would be unified enough to hold the political line."

The right-wing leaders are so firmly in favour of holding to the franc fort policy that the new government would find it very difficult to let the franc float or to go for devaluation, he argued. "Absolute determination" will be required of the new French administration.

If monetary union succeeds in some form, as Mr Barre believes it will, argues that the new European currency will have the status of a widely used

commercial, financial and reserve currency, similar to sterling at the end of the 19th century. "The day you have a European currency which is used in the trade exchanges of the first commercial power in the world, the European Community, the day when it's possible for Community banks to use the Ecu, and when their reserves will be held in the Ecu, we will have the real alternative to the dollar. Money is power - that's what it's about," said Mr Barre.

He believes that the future currency, possible towards the end of the decade, will initially include seven (France, Germany, the three Benelux countries, Spain and Italy) or eight members.

The Bundesbank will again support the French currency in the speculative attack likely next month, partly because "it won't want to take the risk of letting the EMS collapse. The Bundesbank cannot take this responsibility." But, just as important, said Mr Barre, is that "the Bundesbank considers that the fundamentals of the French economy are satisfactory. I am convinced that, if the fundamentals had been negative, the Bundesbank would never have supported them, even in taking into consideration the political factors."



Ex-premier Barre: 'I am not among those who see plots everywhere.'

Stronger Franco-German links urged

By David Buchanan in Paris

FRANCE could consider narrowing the franc's present margin of fluctuation against the D-Mark but only if it got some right to "co-manage" such a "D-Mark zone", a French opposition leader said yesterday.

Addressing a conference on "Europe: the Way Ahead", sponsored by the Financial Times and Les Echos, Mr Edmond Alphandery said the joint programme of the UDF-

RPR opposition parties, which are ahead in the polls for the March election, was designed to reinforce Europe's integration and its monetary system.

"This will necessitate without doubt a new Franco-German dialogue in the monetary domain," said Mr Alphandery, a UDF deputy who is tipped as a possible finance minister if the opposition wins in March.

Mr Alphandery stressed there was no chance of any new centre-right government devaluing the franc. It would, instead, seek to take monetary policy out of the political arena by speedily introducing legisla-

tion to make the Bank of France independent.

But the inherent "instability" of the EMS, conceded by Mr Alphandery, led Mr Peter Sutherland, chairman of the conference and of Allied Irish Banks, to urge an immediate move to monetary union by a smaller number of EC countries rather than waiting for 1997, the earliest date foreseen in the Maastricht treaty.

France, Germany, the Benelux countries, Denmark and Ireland, Mr Sutherland said, "could be ready to go ahead now. So why are we waiting? There is nothing to suggest

that conditions in 1997 will be any better than they are now."

Caution about rapid moves to economic and monetary union (Emu) came from Mr Daniel Band, chief executive of Barclays de Zoete Wedd Holdings. The lesson of turbulence on the foreign exchanges was, he said, that "economic convergence has to precede exchange rate convergence".

He objected that the pursuit of Emu had made the EMS too brittle.

Mr Jean-Pascal Beaufret, deputy director of the French Treasury, said that, with Emu, capital markets would coo-

verge in the Community. But he suggested this would stop short of the concentration that had taken place in the US, with New York becoming the only major financial marketplace. He said equity markets would remain largely national and he valued the merits of Paris.

Mr Gilles Mesange, president of Electricité de France, said there was effectively a single EC market in electricity already, with his own state-owned utility exporting 13 per cent of its output. He called for Brussels to take a "less dogmatic" approach in introducing greater competition.

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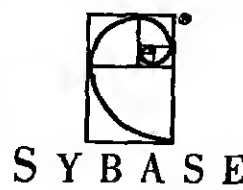
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Georgian leader optimistic of chances of settlement in Armenia-Azerbaijan conflict

Shevardnadze hope of Karabakh peace

By John Lloyd and Steve Levine in Tbilisi

MR Eduard Shevardnadze, the president of Georgia, said yesterday there "were grounds for optimism" for peace between Armenia and Azerbaijan, which have been fighting for five years over the disputed enclave of Nagorno-Karabakh.

The former Soviet foreign minister also warned that the forces of democracy in Russia were "more troubled than ever" warned that their defeat would be "a disastrous event for the world."

Mr Shevardnadze said that in recent meetings with Mr Levon Ter-Petrosyan, the Armenian president, and Mr Abulfaz Elchibey, the Azerbaijani president, he had found there was the political will to attempt a negotiated settlement.

"I think that we have come to the point when all our people are tired of this conflict. We (three Caucasian presidents) are all of the same mind," he said.

Mr Shevardnadze said con-

cessions from both sides had been discussed and that both sides would "bring these ideas out in negotiations."

Mr Elchibey said at the weekend that "in one or two months, the psychology of peace will show its head" and that the three presidents, together with Mr Boris Yeltsin, the Russian president, "have common thoughts, common ideas among ourselves". He warned, however, that reactionary forces in Russia and in the Caucasian states were blocking peace initiatives.

The Nagorno-Karabakh conflict has claimed nearly 3,000 lives and was further escalated when Armenian and Karabakh forces established a land bridge through Azerbaijani territory last summer. Over the past few days, Armenian forces have taken Azerbaijani villages to the north of Karabakh, following earlier setbacks.

Mr Shevardnadze hopes to convene a meeting of the Caucasian presidents, probably in Tbilisi, to seek a basis for negotiation. He calls his project an

attempt to create "a peaceful sky over the Caucasus". He also hopes to involve the north Caucasian republics in Russia.

The Georgian leader also expressed hope that agreements due to be signed between Georgia and Russia over the next two weeks, would produce a better climate for a settlement of the conflict in the Georgian province of Abkhazia where separatist forces are fighting Georgian troops. He said Russia could play a "positive role in settling the conflict" though he accused units of the Russian military and mercenaries from the Russian north Caucasus of supporting the Abkhazians.

He said that he thought it was a "possibility" that United Nations troops would be involved in Abkhazia.

The Georgian economy is suffering from acute energy and other shortages, Mr Shevardnadze said that former Georgian leader Zviad Gamsakhurdia had made a "tragic mistake" breaking trade and other links with Russia.



Shevardnadze: political will for negotiations

Bosnia lays down terms for talks

By Robert Mauthner in New York

THE BOSNIAN Moslem foreign minister, Mr Haris Silajdzic, yesterday said his government could not continue to negotiate a peace settlement for Bosnia-Herzegovina "with a gun at our head".

Speaking at the United Nations shortly before the US was due to announce its own peace proposals, Mr Silajdzic said he believed Washington's involvement would secure an international settlement based on democratic principles.

He made clear that the Bosnian government would rejoin the negotiations, which it has virtually boycotted since they were moved from Geneva to New York at the beginning of last week, only if certain conditions were fulfilled. These were that the "genocide" of the Bosnian Moslem population be halted and that the heavy weapons of all sides in the conflict be placed under effective international control.

"If any side does not comply with the placing of heavy weapons under the physical control of the UN, then force should be used."

A particular effort had to be

made to help the Moslem population of eastern Bosnia, which was currently the victim of intensive "ethnic cleansing" policies undertaken by Bosnian Serb militia and had become "the most endangered species in the world". Aid convoys have been unable to reach this region.

Mr Silajdzic said it was astonishing that the Bosnian government was being blamed by international negotiators for blocking a peace agreement, when UN security council resolutions on the supervision of heavy weapons and the delivery of humanitarian aid were not being implemented.

If the latest security council resolution on the delivery of humanitarian aid remains unenforced, then other "more creative options" should be exercised in getting aid to the needy, he said. The security council could authorise air drops of food, as well as opening Tuzla airport for incoming aid.

Reuter adds from Geneva: UN special investigator Tadeusz Mazowiecki yesterday said he was prepared to resign if concrete measures were not taken to prevent human rights abuses in former Yugoslavia.

Challenge over EC passport checks

By Andrew Hill in Brussels

THE EUROPEAN Commission has been formally challenged to act on a specific complaint about continued passport controls in the EC's barrier-free internal market.

Euro Citizen Action Service (Ecas), a lobby group, has asked the Commission to act urgently against the Dutch authorities for refusing to let a Dutch citizen board a ferry from Vlissingen to Sheerness in the UK without a passport.

Ecas opened a telephone line in the first weeks of 1993 to gather comments about internal border controls, which it believes should have been lifted on January 1. It hopes to use the complaint of Mr Abraham Mooy, a Dutchman living in Belgium, as a test case against countries which have refused to lift such controls.

For now, all 12 member states have continued passport checks on intra-EC travellers arriving at airports. Nine continental member states are trying to lift controls by year-end, but Britain, Denmark and Ireland are likely to maintain checks beyond then.

Mr Mooy's complaint is against Dutch immigration authorities and officials of the shipping line, which refused to let him board the ferry on January 15. He had forgotten his passport and showed officials his Belgian identity card.

The case could embarrass the new internal market commissioner, Mr Ramiro Vanni d'Archirafi, who has said he does not want to provoke a confrontation with member states over passport checks.

German union leaders call protests over steel job cuts

TRADE union leaders in Germany called yesterday for mass protests by steel workers, after reports that the newly-merged Krupp and Hoesch steel companies plan to close down an entire plant in either Dortmund or Duisburg.

Union officials said that Mr Hans Wilhelm Grasshoff, chief executive of Hoesch Stahl, told a meeting of union members at the Westfalenhütte plant that company plans to cut monthly production capacity from 700,000 to 550,000 tonnes, meaning that an entire steel plant would have to close.

There was no formal confirmation from Hoesch Stahl last night, where a board meeting was still in progress late into the evening.

The plan would be much more drastic than last week's joint announcement by Krupp Stahl and Hoesch Stahl that one blast furnace would be closed down temporarily because of the downturn in the steel market.

That proposal is for the furnace to shut down for five months. The shut-down, beginning on March 1, will put 600 steel workers on short-time working.

The growing backlash from the unions over a potential threat to as many as 25,000 steel jobs follows a call from the opposition Social Democrats (SPD) in the German parliament for an emergency

Quentin Peel in Bonn reports on the growing political row over proposals for restructuring the German steel industry with its potential threat to some 25,000 jobs

national congress of steelmakers, unions, central and state governments, to draft a plan of action to tackle the growing crisis.

However, the steel industry in Germany has broadly welcomed the plan proposed by the European Commission for an EC-wide response, including capacity cuts in exchange for new state aid.

Mr Ruprecht Vondran, head of the German steel industry association, told an emergency debate in the Bundestag yesterday that the proposals were close to those put forward by the industry and the German parliament.

It was critical to see the final form which would emerge from negotiations between the 12 member states.

He said the aim should be not merely to stop the slump in profits of European steelmakers, but simultaneously to ensure a fair market for steel products in the EC.

If the industry was expected to find a common way out of the crisis, then all must operate on a clear legal basis, he added.

Subsidies to the industry had created a backlog of restructuring which would be painful and costly to overcome.

The entire burden could not be put on the public purse, and the steelmakers would have to pay for their own restructuring to a large extent, he said.

If one enterprise was expected to help its competitors to close down surplus capacity, finance social programmes for redundant workers, or even create alternative employment, it must be certain of being able to use higher capacity itself in return, Mr Vondran said.

The industry must be protected from market dumping by competitors in eastern Europe, and from producers who have been forced out of the US market by the protectionist measures introduced by Washington.

"Who is going to pay a competitor compensation to the tune of millions, if a third producer, free of all such burdens, is able to skim off all the advantages of a cutback in supply?" he demanded.

"This is what will decide whether Brussels, or indeed the German government, is really serious about restructuring the steel industry," the German steel chief said.

Brussels defends motorcycle plans

PLANS to limit the power of motorcycles and prevent tampering with moped engines are meant to make EC roads safer, the European Commission said yesterday, Renter reports from Brussels.

Critics say the EC's executive is meddling in matters the prerogative of manufacturers, but Commission officials said

they had backing from governments and manufacturers. The proposal to ban motorcycles over 100 brake horsepower would affect only a small number of machines, they added.

It would bring the EC in line with Japan, which has had a 100 brake hp limit for 15 years and makes more powerful models only for export, a Commission official said.

The proposal has been in trouble getting through the European parliament because some MEPs have taken the part of motorcycle users, arguing that factors other than horsepower cause road accidents. The parliament was to vote on the legislation late yesterday.

The other proposal, still being drafted, would set technical specifications for mopeds, aimed to prevent users tampering with engines to make them more powerful.

The two proposals are among 24 draft laws to set up a single set of technical specifications for two- and three-wheeled vehicles marketed in the EC.

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NEWS: INTERNATIONAL

Japan baffled as US reassesses relationship

By Jurk Martin in Washington and Charles Leadbeater in Tokyo

SUCCESSIVE Japanese governments have operated in the sure knowledge that the connection to Washington was "the most important bilateral US relationship in the world". Every US president for the last 30 years has said it, and so, as both candidate and president-elect, has Mr Bill Clinton.

But two senior Japanese cabinet members, Mr Michio Watanabe, foreign minister, and Mr Yoshiro Hayashi, finance minister, are coming to Washington this week apparently unsure this is still the case.

The Japanese worries have been well advertised. Uncertainty exists over whether the Clinton administration is free-trade or protectionist and, if the latter, the extent to which Japan, with its \$500bn (£23.1bn) bilateral trade sur-

plus, will become a target. Every pronouncement by every newly installed US official is scrutinised with minute care by the Japanese.

Beyond commerce, there is also concern about the general US commitment to Asia and particular worries about the new US approach to China. Mr Winston Lord, state department under-secretary with regional responsibilities, is a former ambassador to Beijing and a conspicuous recent critic of Chinese external and human rights policies.

Yet Tokyo's concerns, which extend beyond concrete policies, are not exactly mirrored in Washington. This may well be the essence of the current problem.

Japanese foreign policy tends to be rooted in certain anchors, such as the relationship with the US. For 10 years, from 1977 to 1987, the ultimate assurance of continuity was provided by the comfort-

THE Japanese car industry and authorities yesterday welcomed the decision by the US big three car-makers not to file a dumping suit against Japanese manufacturers, but expressed continuing concern over protectionist tendencies in the US. Michio Nakamoto writes from Tokyo.

The ministry of international trade and industry said the decision reflected a sensible judgment. Mr Yutaka Kume, chairman of the Japan automobile manufacturers' association, said it was the "right decision". He reiterated the industry's belief it had not been dumping in the US market.

Washington and in Tokyo. Mr Lord is a China hand and is surrounded by people, with Mr Thomas Hubbard, a Japan expert and most recently deputy ambassador in Manila, back on board running the Japan desk.

But no sign exists of a decision on the successor to Mr Armacost. Japanese nerves were jangled during the transition by rumours that the post might be offered to Mr Chalmers Johnson, the distinguished Japanologist from the University of California, best

known as the "godfather" of the revisionist school of thinking towards Japan.

In a recent New York Times article, Mr Johnson wrote that the US should recognise its "failure" to open Japanese markets and "start over". A new approach was "justified" on grounds that Japan, as it admits, is not the kind of capitalist economy envisioned by the Gatt negotiators. That is the sort of language that scores Japan to the core.

Mr Johnson probably will not get the job, but the absence of a clear candidate concerns the Japanese, due to their addiction to form over substance in foreign policy.

Thus, it is not clear to Tokyo that no meeting has yet been arranged between Mr Clinton and Mr Kishiji Miyazawa, Japanese prime minister, whereas Presidents Reagan and Bush both met Mr Miyazawa's predecessors immediately on assuming office. Not all the

harm for this omission is laid at the US door. The truth is that Washington has not yet got round to thinking much about Japan.

But two developments this week, the US commitment to seek an extension of the fast-track negotiating authority on trade and Detroit's decision not to go ahead with anti-dumping suits against foreign car makers, offer some general reassurance.

Equally, the weekend session between Mr Hayashi and Mr Lloyd Bentsen, treasury secretary, (the first he has held with a foreign finance minister) seems to indicate the US appreciates Japan's place as an important player in the Group of Seven.

Mr Bentsen has talked of the need to revitalise the G7 before the annual summit in Tokyo in July, with a finance ministerial meeting planned for March as the next step in the process.

But trade and China top Mr Watanabe's agenda. He will propose replacing the long-running Strategic Impediments Initiative with new institutions to discuss trade and medium-term macro-economic issues, such as the US federal deficit, rather than details about the imbalance in particular industries.

Just as Washington's internal politics and personalities are receiving minute attention in Tokyo, much placed there on the views of Mr Mickey Kantor, trade representative.

One official said he could be bad news if led by protectionist sentiment, but he might be good news, if the president were really in charge of trade policy. "Trade relations could get a lot worse or a lot better. We just don't know yet."

What to the US is a national reassessment of the relationship appears to Japan as confusion.

Israelis kill two in Gaza clashes

ISRAELI soldiers yesterday shot dead two Palestinians and wounded at least four others, during clashes in the occupied Gaza Strip. Renter reports from Jerusalem.

The army confirmed soldiers had killed two Palestinians but gave no details on the wounded.

Palestinians in the Gaza Strip said soldiers manning an army post in Jabalya refugee camp shot and killed a crowd of youths when a crowd of youths stoned them.

In the business district of Arah East Jerusalem, border police fired live rounds into the air and shot tear gas and rubber bullets at demonstrators who threw stones and burned tyres, police said.

Four cars were damaged but no one was wounded in the East Jerusalem clash, which began when about 200 youths after an Israeli bus was stoned. A third Palestinian was arrested during the unrest.

Iraq rejects deal over jailed Britons

Iraq yesterday turned down an appeal to release two Britons serving long jail terms for illegally entering the country, the head of the British Red Cross said. Renter reports from Baghdad.

Mr Michael Whittam, director general of the British Red Cross, said he had offered Iraq's deputy prime minister, Mr Tariq Aziz, further humanitarian assistance to the Iraqi people if Mr Michael Wainwright and Mr Paul Ride were set free. Mr Wainwright, 42, was sentenced to 10 years after cycling into Iraq from Turkey last May. Mr Ride, 33, was jailed last August for seven years for straying across the border from Kuwait.

Rwanda rebels make offer of a ceasefire

Rwandan rebels yesterday said they were ready to end three days of fighting with government forces but would not withdraw from territory they had captured. Renter reports from Kigali.

The fighting raged on in northern districts as the rebel Rwandan Patriotic Front's clandestine radio station broadcast the announcement. Refugees continued to trek into Kigali. Food was growing scarce in the city and prices have shot up amid panic buying. The fighting was the worst flare-up since a ceasefire was agreed last August.

Golden screen haunts LDP

By Robert Thomson in Tokyo

THE MYSTERY of the golden screen is haunting Japan's ruling Liberal Democratic Party.

This unsolved case of alleged corruption involving banks, senior politicians and an exquisite Yōhn (23m) traditional folding screen - has resurfaced this week, at a particularly bad time for Mr Noboru Takeshita, the former prime minister.

He is to appear before parliament next week - with Mr Ichiro Ozawa, a former LDP secretary-general - to answer questions over a separate scandal involving illegal donations by a road building company, Tokyo Sagawa Kyubin.

Opposition parties delayed the passage of the budget for the fiscal year to begin in April, so as to force the LDP to offer the two politicians for formal questioning. This will be the third such appearance in recent months by Mr Takeshita.

Simultaneously, a former auditor at Heiwa Sogo, the small bank at the centre of the screen mystery, is on trial for commercial breach of trust, and is expected to explain at



Takeshita: The former PM is to appear before parliament next week, with Mr Ichiro Ozawa, a former LDP secretary-general, to answer questions on a scandal involving illegal donations

least part of the background to the mystery in coming days. His testimony could provide opposition politicians with a further opportunity to undermine Mr Takeshita, who has resisted demands that he

resign from parliament.

The golden-screen mystery began in 1985, when there was a struggle for the control of the ailing Heiwa Sogo, and four of its executives sold the screen for Yōhn to a Tokyo art gal-

lery. It had just been valued at only Y500m. Some of the sale proceeds were used to buy shares in Heiwa Sogo, but it is alleged that other funds were given to politicians, including Y500m to a secretary to Mr Takeshita, according to court testimony by former executives at the bank.

But the secretary, Mr Thel Aoki, who is at the centre of the mystery, committed suicide in April 1989 amid another scandal, the Recruit stocks-for-favours affair. This was the scandal which ultimately forced Mr Takeshita to resign as prime minister.

Japanese prosecutors are also attempting to link the sale of the golden screen to the eventual takeover of Heiwa Sogo by Sumitomo Bank in October 1990, though there is no suggestion that the latter bank has done wrong.

Mr Takeshita, who knew executives at both banks, is believed to have played a role in bringing them together, and opposition politicians want him to clarify whether he saw Y500m.

Late last year, Mr Takeshita said the affair was also a mystery to him.

Move to make Japanese groups more transparent

By Robert Thomson in Tokyo

A GOVERNMENT advisory panel has recommended that companies be required to appoint independent auditors, in an attempt to make corporate Japan more transparent and less prone to scandal.

The Justice Ministry is likely to draft legislation to amend the commercial code based on the panel's recommendations, but the changes will be opposed by many companies, as auditing has traditionally been an in-house operation in Japan.

A spate of securities industry scandals and demands for increased shareholder rights prompted the panel's review, which included a study of whether companies should be able to buy their own shares.

No formal recommendation was made on this controversial issue. But the panel did recommend that shareholders should have improved access to company accounts.

Under present legislation, shareholders must have at

least a 10 per cent stake in the company before getting access to the account books, but the minimum shareholding needed is likely to be reduced to 3 per cent.

That change, and a simpler court filing process for class actions, are in line with US demands for an improvement in shareholder rights in Japan.

The demand was made during the bilateral Structural Impediments Initiative (SII) talks, designed to reduce the "structural" obstacles to trade.

The panel also recommended that restrictions on corporate bond issues be eased, in particular a requirement that companies must issue bonds to a total less than twice the net value of its assets.

Corporate bonds are becoming increasingly popular among Japanese companies, but there are still strict limits on bond trading and issuance.

These and other recommendations, approved yesterday by a sub-committee in the justice ministry, are scheduled to be formally presented to the justice minister later this month,

and then to a cabinet meeting next month.

If the panel's proposals are adopted, an auditor's term will be extended from two to three years, while companies capitalised at Y500m (£26m) or more, or with debts of Y200m or more, must appoint three auditors, one more than is now required.

But most controversial is the requirement that one of three auditors should be independent. Japanese companies have traditionally appointed auditors from among middle-managers passed over for promotion to the senior ranks or from among executives due to retire but wanting to maintain a presence within the company.

Auditors still generally regard themselves as part of the company and it is highly unusual for them to find fault with financial statements.

By the panel's standards, an independent auditor is an individual who has not worked for the company, or any of its subsidiaries, during the past five years.

India's exports fall by 12.5%

By Stefan Wagstyl in New Delhi

INDIA'S exports in December fell 12.5 per cent to \$1.46bn (£580m), against the equivalent month in 1991, due to weak demand in the former Soviet Union, the disruptive impact of a prolonged domestic airline strike and unrest following destruction of the Ayodhya mosque.

The figures, released yesterday,

confirm the damage done to foreign trade by disruption to travel caused by the strike, and through the violence in Indian cities after the mosque was sacked on December 6.

The fall in exports will hit hopes of achieving a target of 10 per cent export growth in the year to the end of March 1993. A boost to exports is a key element in India's economic reform programme. It needs them to pay for imports

of oil and capital equipment. Imports in December grew 2.6 per cent to \$1.94bn, making for a monthly trade deficit of \$460m. For the nine months to end-December, the deficit was \$3.55bn, more than double the \$1.63bn in the equivalent period of 1991.

Exports rose 3.4 per cent, with those to countries outside the former Soviet bloc up 11.4 per cent. Imports for the nine months rose 16.5 per cent.

Native-born PM ends reign of Chiang Kai-shek's old comrades

Taiwan breaks with the political past

By Simon Davies

PRESIDENT Lee Teng-hui has taken a big step towards purging Taiwan of its political domination by the ageing supporters of Chiang Kai-shek, its founder, by appointing the first native Taiwanese, Mr Lien Chan, to be prime minister.

Taiwan has been shaken by political instability in recent

months, as former Nationalist soldiers have fought to retain a vestige of control within the ruling Kuomintang (KMT) party against President Lee's reformist Mainstream faction. The old guard has finally lost.

The stock market surged initially on the long-expected news, seen as providing a seal of approval for President Lee's pro-business policies. But a

late sell-off by profit-takers led yesterday's Taipei index to close 59 points lower at 3,578. Mr Lien, 56, former governor of Taiwan Province, is from one of Taiwan's wealthiest families.

Deemed an uncharismatic man, he is expected to act as an executive lieutenant to Mr Lee, without providing any political challenge. With Mr

Lee's appointment, President Lee is finally in a position to push forward a democratic reform programme with a minimum of opposition from within his own party.

His success has surprised many analysts, following his poor performance in December's parliamentary elections when the KMT received its lowest-ever vote of 53 per cent.

Mitterrand urges end to Hanoi embargo

FRENCH President François Mitterrand, the first western head of state to visit Vietnam, yesterday urged President Bill Clinton to lift the US embargo imposed on Hanoi in 1964. Renter reports from Hanoi.

After a two-day visit to Hanoi, Mr Mitterrand described the embargo as "an anachronism". Washington extended the embargo to all of Vietnam in 1975, when Hanoi's communists defeated the US-backed Saigon government and reunified the country.

Mr Mitterrand announced on Tuesday that France would double its 1992 aid to Vietnam this year. France gave Vietnam \$36m (£23.8m) in 1992. Yesterday, he said seven top-level co-operation agreements had been signed between the two countries.

Vietnam, hit three years ago by the suspension of Soviet aid and now starved for capital, had approached France "with outstretched hands", Mr Mitterrand said.

He said it was appropriate for France, given its past ties with Vietnam, to be the first western country to help it reintegrate into the world community.

Mr Mitterrand yesterday visited Dien Bien Phu, where forces led by Gen Vo Nguyen Giap defeated a key French army unit in 1954, thus bringing an end to colonial rule.

● Renter adds: Alcatel of France yesterday signed an agreement with the Vietnamese Post and Telecommunications Authority to create a digital switching joint venture called Alcatel Network Systems Vietnam.

UN soldiers fail to pacify the killing fields

The Cambodian peace keepers were welcomed with relief a year ago but their popularity is waning, writes Victor Mallet

THEY came at midnight, a dozen men firing automatic weapons and grenades at a crowd of villagers who were dancing and watching videos outside a Buddhist temple.

The party a few nights ago in the village of Sret, 12 miles east of Siem Reap and the ancient Khmer monuments of Angkor, was an annual festival in memory of a former abbot. Eight people were killed, including a 13-year-old girl.

Nobody is sure who carried out the attack or why, but Khmer Rouge guerrillas are among the suspects: three of the dead were government policemen.

Two days later the village looked sleepy and surprisingly cheerful. Yes, the inhabitants agreed, they were frightened at night now, but they had lived through bad times before.

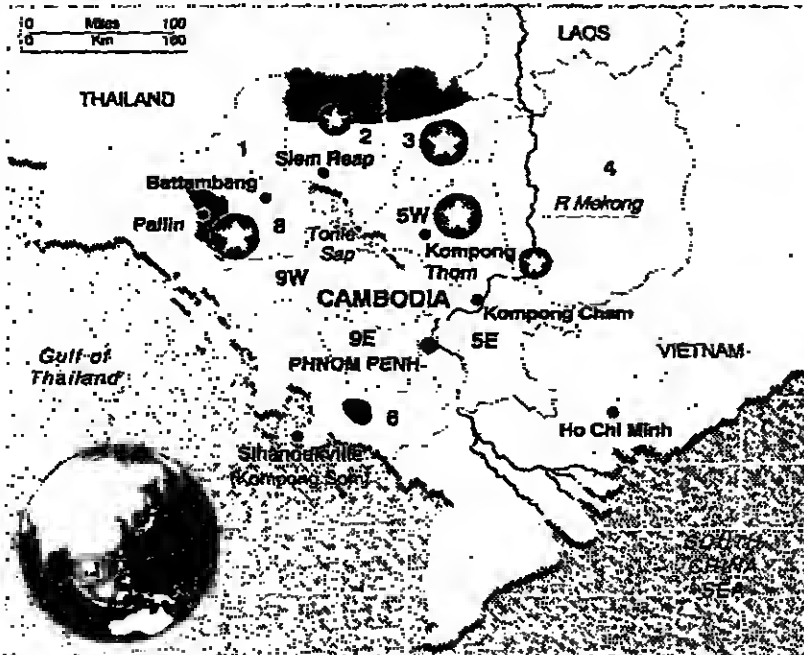
They had survived the rule of Prince Sihanouk in the 1960s and 1960s, the dictatorship of Lon Nol, who overthrew the prince, the terror of the Khmer Rouge guerrillas who ousted Lon Nol, and the Vietnamese invasion which got rid of the Khmer Rouge. Now they had Untac.

Untac - the UN Transitional Authority in Cambodia - was immensely popular when it was established in March last year because Cambodians thought it would stop the killing. It has failed to do so, and its popularity is waning fast.

Bangladesh troops are stationed three miles from Sret, but they did nothing because the attack on the village lasted only five or 10 minutes before the gunmen melted into the countryside.

It was not an isolated incident. In the early hours of yesterday morning gunmen, some

Cambodia: the peace keepers and the peace breakers



Khmer Rouge strongholds

Main areas of recent fighting between government forces and the Khmer Rouge

Other recent clashes

of them on motorcycles, attacked Siem Reap with guns and grenades, killing at least two Cambodians and firing at Untac's pre-fabricated offices.

Mr Yasushi Akashi, the head of Untac, said he viewed the assault with "the utmost seriousness". Siem Reap is Cambodia's main tourist destination, and President François Mitterrand of France is due to go there this week to see the temples of Angkor.

The failure of the UN's largest peace keeping operation, with its \$2bn (£1.3bn) budget

and its complement of 22,000 soldiers and civilians is as damaging for the reputation of the UN as it is for the hopes of the Cambodian people.

Untac has succeeded neither in bringing about the ceasefire agreed by all the factions at the Paris peace conference in 1991, nor in curbing banditry. Mutilated corpses are still seen floating down the Mekong river, and government troops continue to extort money from passing cars and river boats.

In one particularly humiliating incident on a road north of

Phnom Penh last month, unarmed Untac troops from Poland saw soldiers shoot dead the driver of a van that had failed to stop at a casual roadblock; then the Poles watched helplessly as the soldiers killed the two passengers in the van in cold blood.

Untac's reputation has been further undermined by traffic accidents involving the UN's big white cars as well as the inevitable problems of whoring and drinking in a country where both are cheap.

There have been successes.

Untac infantry

Military sector	Battalion	Provinces
1	Netherlands	Santeay Manthey
2	Bangladesh	Siem Reap
3	Pakistan	Preah Vihear
4	Uruguay	Stung Treng, Ratanakiri, Kratie, Monduliri
SE	India	Kompong Cham, Prey Veng, Siem Reap
SW	Indonesia	Kompong Thom
6	France	Takeo, Sihanoukville, Koh Kong, Kampot
8	Malaysia	Battambang
9E	Bulgaria	Kandal, Kompong Speu
SW	Tunisia	Kompong Chhnang, Pursat
Phnom Penh special zone	Ghana	Phnom Penh

Source: United Nations Transitional Authority in Cambodia (Untac)

Khmer Rouge, Untac disclosed that some returned refugees had been conscripted by the government and used as forced labour.

Worst of all, there are doubts about whether Untac can ensure that the elections are "free and fair", as required by the Paris peace accords. Yesterday Mr Akashi acknowledged that he was "still not satisfied that the conditions for free and fair elections can be met".

The troops and guerrillas of the four main factions should by now have been regrouped in cantonment areas and disarmed, but the disarmament process was abandoned when the Khmer Rouge refused to co-operate.

UN military observers say the civil war, now essentially between the Vietnamese-installed government and the Khmer Rouge, has intensified since 1991, and both sides are using their weapons to intimidate voters.

Khmer Rouge guerrillas, as well as refusing Untac officials access to most of their territory in north-western Cambodia, have seized voter registration cards from villagers in contested areas.

Government soldiers are suspected of killing more than 20 people working for the royalist party Funcinpec and have been accused by UN electoral officers of widespread intimidation in the last few weeks.

Untac's response has been extraordinarily pliant in the face of repeated setbacks. Lt-Gen John Sanderson, the Untac military commander, has been nicknamed "No Problem" because of his apparently incurable optimism.

Untac's defence is that it cannot impose peace by force;

it is for the Cambodians to fulfil their obligations and for Untac to help them do so.

Certainly Cambodians must accept their share of the blame. Prince Sihanouk, regarded by Cambodians and foreigners alike as the one man who might be able to broker a deal between the various factions, has been spending more time in Beijing than at home.

The Khmer Rouge has flouted the peace agreement and the ceasefire from the start, while on the government side corrupt officials have filled their pockets with ill-gotten gains in the expectation of losing much of their power after the election.

If the elections go ahead as planned in May - and the expectation at the moment is that they will in spite of the fighting - Funcinpec is likely to emerge as the strongest party in the new assembly.

The outcome of the resultant imbalance between political and military power is that Prince Sihanouk, who could become president, and his son Prince Ranariddh, the Funcinpec leader and possible future prime minister, will probably try to construct a coalition to accommodate both the Khmer Rouge and the present regime.

Not everyone believes it will be possible to reconcile the two factions which are even now fighting each other across much of northern and western Cambodia. "I think regardless of what happens during the elections, you're going to have civil war immediately afterwards," says one senior Untac military officer. "I think it's going to be pretty intense, and I think it will reach Phnom Penh." That view is a pessimistic one, but it is not unique. See Editorial Comment

IMF seeks consistent programme before economic targets can be set

Camdessus takes firm line on Brazil

By Christina Lamb
in Rio de Janeiro

MR Michel Camdessus, managing director of the International Monetary Fund, has told Brazil it must present an economic programme before full-scale negotiations can begin on a new accord.

The decision was a disappointment, though no great surprise, to Mr Paulo Haddad, economy minister, who has been in Washington this week for his first round of meetings with multilateral financial institutions and members of



Camdessus: fact-finding

the US administration. His main aim was to discuss with the IMF the targets for a new accord in place of a \$2.1bn (\$1.1bn) stand-by, signed in January last year, which collapsed after the initial payment because of Brazil's failure to meet conditions.

Mr Rubens Pontes, the minister's chief of staff, said yesterday that the meetings had gone well: "We didn't expect a red carpet, given Brazil's poor record of meeting IMF targets. But, in the circumstances, the reception was almost warm and the fund is definitely disposed to collaborate."

Mr Camdessus accepted Mr

Haddad's request to use the last accord as a basis for the new one, rather than negotiate from scratch. However, he insisted that Brazil must put a consistent economic programme in place before new targets could be set.

Mr Pontes said that the absence of a programme so far was a reflection of the new government's "more realistic stance. We are trying to clean the house and resolve a series of structural problems before formulating a programme."

Consequently the IMF mission due in Brazil on March 1 is likely to remain of a fact-finding rather than negotiating nature. Matters may be complicated by President Itamar Franco's decision that future meetings of the IMF and Brazilian government will include representatives of Congress.

Brazil is anxious for a new accord in order to move towards concluding the restructuring of \$44bn in foreign debt, for which it must put up \$3.2bn in collateral, half of which it hopes to obtain from multilateral institutions. But Brazil's continuing high inflation remain a thorny issue. The Rio-based Getúlio Vargas Foundation index put January inflation at 29.82 per cent. However, economy ministry officials point out that some first-year targets of the last accord were surpassed. Foreign exchange reserves, for example, are at a record \$19bn and the operational deficit for 1993 was less than expected, at 1.9 per cent of GDP.

During his trip to Washington, Mr Haddad also held talks with Mr Lloyd Bentsen, US treasury secretary, but did not seek US support in that meeting.

"With Secretary Bentsen, we only had an exchange of information. There is no [commitment] from the Treasury so far," he said.

Poll 'won't overturn' Mexican austerity

Finance minister assures Damian Fraser tight economic policies will stay despite 1994 election



Aspe: 'We do not use stop-go policies'

MEXICO'S government will maintain its tight fiscal and monetary policy throughout next year, and expects little increase in economic growth from this year, according to Pedro Aspe, the finance minister.

The austere economic policy, if adhered to, would disappoint those in and out of Mexico expecting a significant relaxation in the approach to the 1994 presidential election. The government intends to run a budget surplus of 1.7 per cent of gross domestic product this year, through its commitment to a stable exchange rate, has allowed one-year interest rates to rise to about 19.7 per cent - about ten percentage points more than projected year-on-year inflation.

The tight economic policy slowed growth last year to an estimated 2.8 per cent, far below the government's original aim, and has been widely criticised for being too cautious. The commitment to maintain the tight programme suggests the government has given up its target of reaching 6 per cent growth by the end of the administration of President Carlos Salinas de Gortari.

Mr Aspe said in an interview: "We are going to stick to exactly the same policy and [expect] growth this year of 3 per cent and next year - maybe a little more but nothing spectacular." Fiscal and monetary policy "has been exactly the same in 1993, 90, 91, 92, 93 and it will be exactly the same in 1994. We do not use stop-go policies."

Mr Aspe remains committed to

reduce inflation to single digits which, on an annual basis, may happen as early as next month, and then to the levels of Mexico's main trading partners. The central bank reported inflation of 1.3 per cent in January, which is by tradition a high-inflation month. This was the lowest inflation for January since 1975.

The finance minister is not con-

The tight policy has been widely criticised for being too cautious

vinced a loosening of policy would help the ruling Institutional Revolutionary Party in the presidential election. "People would notice immediately and say: 'Oh my God what are they doing? We are going to have fun for six months and then a mess ahead.' You cannot fool around with fiscal and monetary policy."

The Mexican government freely admits economic growth in the short term remains at the mercy of the proposed North American Free Trade Agreement, whose swift passage through the US Congress depends on the Mexican and the US administrations reaching prompt agreement on parallel accords on labour and the environment.

If NAFTA is passed in the US, capital

flows into Mexico would almost certainly increase, and interest rates could be lowered without endangering the exchange rate target of a maximum rolling devaluation of 0.4 of a peso per day (4.6 per cent a year). Indeed, the government is so convinced that NAFTA would sharply alter expectations of future growth in Mexico that it has discussed ways to prevent excessive capital inflows fueling inflation.

If NAFTA is not passed - which the Mexican government considers highly unlikely - the government may find it difficult to finance the growing current account deficit, expected to be more than \$20bn this year. Government officials, however, are open to increasing the maximum rate at which the peso is devalued, if that looks necessary. The government is not considering a one-off devaluation.

The government is also prepared to accelerate economic reforms if NAFTA is not passed, in part to reassure financial markets. "We will have to speed up structural change" if NAFTA is not passed, says one senior official. "I think we can convince people to respond in this way, rather than shoot yourself in the foot by reversing reforms."

Political analysts have long speculated that rejection of NAFTA would lead, in Mexico, to a nationalistic backlash and to pressure to slow or turn some of the present government's economic reforms. According to the official, it would lead to a faster opening of the economy.

Union threatened over wage negotiations

Bomb in Colombian oil town

AT LEAST 12 people were killed and 20 wounded yesterday in a car bomb explosion in the Colombian oil refining town of Barrancabermeja, police said. Kenter reports from Bogotá.

RGN radio, in a report from the town about 160 miles north of Bogotá, said the death toll had risen to 14 after two of the wounded died from their wounds, but there was no immediate confirmation from police.

Reports from the town said the bomb blew up five blocks from the headquarters of USO, Colombia's powerful oil workers' union. USO is in wage talks with the state oil com-

pany Ecopetrol and planned a national day of protest yesterday.

Mr Cesar Carillo, president of the oil workers' union, told Caracol radio in an interview that the union had been threatened with violence during the last few days as a result of the wage negotiations.

"We don't know if the victims are union members or oil workers," he said. "The authorities are still getting information. There is a lot of confusion."

Radio reports said Ecopetrol President Juan María Rendón was expected in Barrancabermeja at the time of the blast to inspect company installations

but there was no suggestion that he might be among the victims.

The last bombing in Colombia occurred on January 30 when fugitive cocaine king Pablo Escobar allegedly set off a car packed with explosives in a busy Bogotá shopping street, killing 21 people and wounding dozens.

There was no indication that drug traffickers might be responsible for the Barrancabermeja blast. The oil capital is, however, in the centre of a major guerrilla zone. Guerrillas have attacked gold and coal mines, oil rigs and pipelines, power lines, government installations and army patrols.

Clinton signs orders to reduce government payroll and perks

By Jurek Martin
in Washington

PRESIDENT Bill Clinton yesterday continued his attack on excessive federal employment by signing executive orders designed to reduce the government payroll by 100,000 over the next four years.

He also directed departments to cut their management costs by 3 per cent a year over the next four years, to get rid of as many as one third of existing advisory boards and commissions, and to eliminate a wide range of the perks available to senior bureaucrats.

The president estimated net savings of about \$9bn and

repeated his exhortation of Tuesday, when he announced a 25 per cent reduction in the White House staff, that government must learn to get by on less. "This is only a beginning, not the end," he added.

Additionally, Mr Bruce Babbitt, the interior secretary, announced that he was reviewing special bonus payments made to senior members of his department by Mr Manuel Lujan, his predecessor. The leitmotif of Mr Clinton's drive to cut the size and cost of government is the presumed excesses of the Bush and Reagan administrations.

Most of the job savings will be achieved by natural wast-

age, not redundancies, the White House said. All departmental plans must be in place by 1995. Total federal employment is around 3m, including the nationally independent and 800,000-strong postal service.

Mr Clinton was expected to make much of his symbolic lead in cutting federal spending at a televised "town meeting" in Detroit, due to take place late last night.

Mr Babbitt said his most interesting discovery was the "pony perk," a plan to expand a federally maintained equestrian complex for the convenience of government officials. "That particular plan is dead as of today," he said.

NEWS: WORLD TRADE

Japan's discounts safeguarded

By Robert Thomson in Tokyo

JAPAN'S Fair Trade Commission has ordered the sales subsidiaries of four leading electronics companies, Matsushita Electric Industrial, Sony, Hitachi and Toshiba, to allow retailers to discount their products without fear of losing supply contracts.

An investigation by the FTC, the anti-monopoly body, found evidence that the four companies had ordered large retailers not to discount the prices of electronics goods below certain specified levels.

FTC investigators also said that at least one of the companies is believed to have offered incentives to retailers who complied with the pricing orders and threatened to cut

supplies to retailers who dared to discount deeper than the recommended level.

The case highlights the close relationship between each of the four companies and their extensive network of small dealers, who are believed to have complained to the companies that their sales were hurt by discounting by larger retailers.

A recent flurry of activity by the FTC follows past complaints by US trade officials, who alleged that the Commission was unwilling or unable to enforce Japan's anti-monopoly laws. They demanded that the Commission's investigative staff be strengthened.

The Commission's investigations have almost doubled in

the past two years, but US officials have continued to suggest that the FTC is unwilling to tackle the country's better known companies or unravel the often complex relationships between large manufacturers and retailers.

The present case is linked to an FTC order to Japanese manufacturers in July 1991, making clear that retailers were free to set their own prices.

Last year, sales arms of the four electronics companies indicated to the FTC that they would abide by the advisory, but investigations into their trading practices continued.

If the electronics companies defied the FTC's order, they could be fined, but they indicated yesterday that executives would "study" the order to see

how it affected their business practices.

Sumitomo Chemical of Japan and Rhone-Poulenc, are forming a joint venture company to develop and market agricultural chemicals in France, Michio Nakamoto adds from Tokyo.

Sumitomo, which has a worldwide agrochemical business worth about ¥6bn (\$31.9m) to ¥7bn and is a leader in the field in Japan, will own a large majority share of the new company, the company said. The joint venture, to be headed by Rhone-Poulenc employees, will mostly market the French company's products, but is expected to develop and market Sumitomo's agrochemicals in future.

Qatar to increase steel production

By Mark Nicholson in Cairo

QATAR's state-owned steel company, just emerging from cumulative losses of \$100m in the 1980s, is set to award a \$275m (£182m) contract to nearly double capacity with the aim of exporting to Far Eastern markets.

Qatar Steel Company (QSC), which is 70 per cent owned by the Qatar government, said 25 foreign companies have submitted bids for the project and a decision is expected within weeks. Mr Nasser al-Mansouri, head of the company, was quoted in the United Arab Emirates newspaper al-Khaleef as saying that building would begin before the end of this year.

A new plant will be built under the expansion to raise capacity from the present 560,000 tonnes of reinforced steel bars by between 300,000 tonnes and 500,000 tonnes. The company's present plant, built in 1978 at a cost of \$300m, has for several years been operating at around 70 per cent of its design capacity.

Qatar plans to capitalise on its considerable resources of cheap gas from its north field operations.

Mr al-Mansouri said QSC will have to double its paid-up capital of \$82m which, he said, would be welcomed by the company's present foreign partners. Two Japanese groups, Kobe Steel and Tokyo Boeki, hold 30 and 10 per cent of QSC respectively. The company would not comment on how the recapitalisation and expansion would affect its shareholding structure.

QSC last year made sales of \$192m and record profits of \$40m, largely through sales to neighbouring Gulf countries. The group's recent profits have enabled it to clear deficits incurred during the mid-1980s and Mr al-Mansouri said the company expects to complete repayment by next year of loans taken to build QSC's existing plant.

The company is aiming to broaden its market, towards the potentially vast Iranian market and the Far East.

Potholes in the private road to public utilities

John Murray Brown reviews Turkey's BOT system

SIR ROY Watts, chairman of Thames Water, the privatised UK water authority, must have thought the deal was in the bag when he flew to Ankara last Friday to sign up for a \$700m (£460m) dam project using the Build Operate and Transfer BOT form of financing, a concept pioneered by Turkey.

As it turned out, there appeared still to be some details to attend to. Thames now hopes to initiate an implementation agreement in the next couple of weeks, but that, as a number of contractors have discovered, is just the first hurdle.

The attempt to revive BOT, a method of franchise financing which uses private sector debt to fund public infrastructure, reflects the desperate state of public finances in Turkey. The move also underscores a personal rivalry between Prime Minister Suleyman Demirel and the man who more or less invented the BOT concept, President Turgut Ozal.

Under BOT, a contractor owns a plant for a set period - in Thames' case 15 years - before transferring it to the public utility. The contractor arranges finance, repaying the debt with revenues generated from the project.

Turkey is currently looking at three big schemes. The Thames Water project at Izmit, south-east of Istanbul, involves dam construction, pumping stations and more than 60 miles of water mains.

At Birecik on the Euphrates, a consortium led by Philipp Holzmann of Germany is looking at a DM2bn (£800m) hydro-electric scheme.

Discussions are under way with Enron, the US engineering giant, on three combined cycle gas and oil power stations at a total project cost of \$2bn.

The beauty of BOT is that it enables the government to finance public infrastructure "off balance sheet" as it shifts the risk from the government to the private sector. This is a key factor at a time when out-

standing public and private external debt is \$56bn.

In addition, bankers argue that because the private sector

is taking the risk, BOT will ensure more rigorous project disciplines. The focus is on the private sector developer to see the project is viable and can be completed on time - otherwise he cannot recover his costs.

Another attraction is that the consortium's financing will typically incorporate an equity element, in effect bringing in foreign capital investment which would not be available under a turnkey government project.

However, where BOT has come unstuck is where discussion turns to the levels of guarantee available in the securities package. The traditional concerns are currency risk, resource risk and, most critical of all, protection against *force majeure*, where natural or other disasters prevent the contractor from completing, leaving the question as to who has to repay the banks.

As a first stage, Thames has to sign an implementation agreement which gives the consortium the licence to sell water, hitherto the state's legal monopoly. Perhaps inevitably, there is already some opposition within Public Works, the agency handling state sector water projects, which is naturally reluctant to see its powers curtailed by a private sector developer in an area traditionally handled by government.

Accounting for resource risk will be just as challenging. According to Chase Manhattan, which is advising Thames, the Izmit authority will under-

take to buy 140m cubic metres of water a year. The terms of the offtake agreement in effect means the purchaser pays for the water whether or not he takes delivery - the only way these BOT schemes can hope to work.

Thames has also to secure an offtake arrangement with the Istanbul water authority, under which the Izmit authority will sell water on to its Istanbul counterpart.

On the Birecik scheme, for example, where Chase is also the adviser, the consortium has to secure a sales agreement with TEK, the state-owned power utility to buy the project's electricity. In addition, an accord has to be struck with DSI, the state hydraulics corporation, to guarantee that the Ataturk dam project will discharge a certain volume of water to enable Birecik's turbines to operate.

The price has then to be agreed, denominated in a hard currency. On the Ankara metro scheme, one of the reasons BOT failed to attract bank support was the difficulty of matching the project's external debt servicing needs with the Turkish lira revenue flows from the metro's tolls.

If these problems seem surmountable, the parties are expected to have more difficulty agreeing a formula in the case of *force majeure* interrupting the revenue flows, and in turn affecting the ability of the developer to repay the banks.

Chase is using a subordinated loan mechanism, in effect a standby facility which will repay the banks in the event of *force majeure*. Again, the Ankara metro, which the Treasury eventually decided to finance with a full sovereign guarantee, envisaged an unlimited subordinated loan, another reason that the BOT scheme collapsed.

During construction, Chase has set the level of the loan at \$270m, which falls away to \$50m during the less risky operational period. However, it is still unclear who will be the subordinated lender. Some observers fear this could still prove the project's Achilles heel.

Indonesian paper mill for India

By Kunal Bose in Calcutta and Stefan Wasyly in New Delhi

SINAR Mas, an Indonesian industrial group, plans to build a \$430m (\$282m) paper mill in India.

The company, Indonesia's second largest combine, is submitting a proposal to the Indian government for a 300,000 tonnes a year paper mill. The mill would import pulp for conversion into paper for sale in India and other south Asian countries.

The project is one of several investment schemes in India proposed by foreign companies since the government of Mr P V Narasimha Rao, the prime minister, embarked on economic liberalisation in mid-1991. The authorities last year approved investments totalling about \$1.3bn. But the actual flow of funds has been much smaller - around \$300m. It is not clear how quickly Sinar Mas will go ahead with its scheme.

Mr M K Rana, a leading executive in the Indian paper industry who is to head the Indonesian group's Indian operation, said Sinar Mas would invest a total of \$1bn in India over five years in various projects including the paper mill.

Construction expected to start this year

Consortium meets to agree Argentina-Chile gas pipe

By Lesia Crawford
in Santiago

A GROUP of Chilean, Spanish and Italian companies will meet Argentine natural gas producers this week to finalise the supply contracts for a \$1bn (£600m) trans-Andean gas pipeline that will export gas from Argentina to Chile.

The consortium - formed by Chilextra and ENAP of Chile, Italgas and SNAM of Italy, and Gas Natural and Enagas of Spain - wants to tap the natural gas fields in southern Argentina.

It will then transport gas across the Andes, along a 1,300-km pipeline to Santiago, the Chilean capital.

The pipeline is the biggest infrastructure project between neighbouring countries in Latin America since the 1980s put a halt to ambitious schemes of what were then military governments in the region.

Pre-feasibility studies for the pipeline have been completed and the consortium has retained Chase Manhattan Bank of the US to act as adviser for the financing of the

Construction began this month on a 425km oil pipeline that will link oil fields in southern Argentina to Chilean refineries in the southern ports of Talcahuano and San Vicente, Lesia Crawford writes.

The \$300m project is being built by the two state oil companies, ENAP of Chile and YPF of Argentina, and by Banco Rio de la Plata, an Argentine bank. The pipeline through the Andean mountains is the first project of its kind between the two neighbouring countries. It is expected to reduce Chile's oil import bill by cutting transport costs - ENAP now imports oil from Africa.

The pipeline will also allow Argentina to ship oil to the Far East from Chilean ports on the Pacific Ocean.

Construction work is expected to begin this year, with completion scheduled for early 1996.

"The pipeline makes economic sense for the two countries," says Mr Brian

NEWS: UK

Dozen pits may be saved without need for new law

By David Owen

THE draft policy document on the future of Britain's threatened coal industry has side-stepped most of the main recommendations of the Commons trade and industry committee in favour of an alternative plan to expand the market without new legislation.

The government hopes its approach will create an extra market of about 12m tonnes a year for domestic deep-mined coal, saving about a dozen of the 31 mines threatened

with immediate closure.

The latest government blueprint under discussion in cabinet envisages expanding the market for deep-mined coal by:

- Blocking imports of oil-mulsion - a bitumen-based fuel used on a limited experimental basis in some power stations.
- Slowing the planned run-down of coal stocks.
- Cutting output from open-cast mines.
- Using subsidies to halt growth in coal imports.

It believes it can avoid the committee's more radical proposals - halting purchases of nuclear-generated electricity from France, cutting the £1.2bn domestic nuclear levy and postponing electricity market liberalisation - all of which would require new legislation.

The committee's recommendations

would result in an additional market of at least 16m tonnes per year, implying more than half the threatened pits could be rescued. In an unusual move, the committee plans today to use a press conference to assert its proposals could be implemented for

much less than the £500m originally

stated. A recent FT survey of the Conservative MPs most likely to rebel over coal indicated proposals to save between 12 and 14 pits would safeguard the government's Commons majority. But the government's plan hinges on cajoling National Power and PowerGen, the two main electricity generators for England and Wales, into signing new five-year contracts for coal purchases over and above the 40m tonnes next year and 30m in the subse-

quent four years they have tentatively

agreed to buy. Senior ministers are relying on the combination of a direct Treasury subsidy and the implicit threat of a Monopolies and Mergers Commission inquiry into the generating industry to secure a deal. They want the two generators, in which the government retains a substantial 40 per cent interest, to sign a "heads of agreement" by the end of this month. While ministers acknowledge they are meeting resistance

from the generators, which are

not legally obliged to buy any coal, they think the promise of five years of stability in the industry will persuade them to back down. Mr Michael Heseltine, trade and industry secretary, has concluded that fresh legislation would threaten prolonged rows at Westminster and provoke a backlash from the generators' non-coal suppliers. He has been advised that the government's plan would not fall foul of the European Commission or the General Agree-

ment on Tariffs and Trade.

If agreement is reached, he will present the package to MPs as a strictly limited programme to phase out existing coal subsidies, emphasising that present arrangements for the electricity market involve an implicit subsidy for coal of around £1bn a year. This would be reduced to £260m or less next year and to nothing by 1995. He will also emphasise that the deal will permit publication of a bill to privatise coal this autumn.

Britain in brief



Leyland Daf set to cut 1,600 jobs

Around 1,600 jobs are expected to be cut at Leyland Daf, the UK subsidiary of the beleaguered Anglo-Dutch commercial vehicle maker, in a first round of redundancies that will probably be announced tomorrow.

The UK workforce of Leyland Daf, which collapsed into administrative receivership last week, currently totals around 5,500 with 2,200 in Leyland, Lancashire and 2,000 in Birmingham.

Overseas banks seek debt code

Overseas banks based in London have proposed to UK banks that they should jointly set up a register of corporate loans to prevent lending to companies which already have excessive debts.

The Foreign Banks and Securities Houses Association has sent a detailed proposal for the establishment of a register to the Bank of England and the British Bankers Association. The proposal hints that overseas banks would reduce their commitment to operating in the City of London if such a register was not created.

Assets may back school borrowing

Schools and hospitals could be allowed to borrow against their assets as this government develops its plans for involving private finance in public projects. The Department of Health, the Education Department and the Home Office are among areas where the Treasury believes there is the most scope for enabling the government's private finance initiative to evolve beyond the transport infrastructure.

Acas tackles 72,000 claims

A record 72,166 unfair dismissal and discrimination claims were dealt with by the Acas conciliation service last year - almost 20 per cent more than in 1991.

The rising workload of the service, which has a statutory duty to conciliate between employees and employers before a case goes to an industrial tribunal, shows the increased reliance of individuals and trade unions on the law to resolve disputes.

Skill shortages still exist

Skill shortages, while at a much lower level than two years ago, still exist especially among small engineering companies, according to a Department of Employment survey. The survey showed a sharp decline in skill shortages over the past two years. Five per cent of large companies interviewed had hard-to-fill vacancies in 1992 compared with 22 per cent in 1990.

UK bids for science centre

The UK submitted an £8m bid to host a new international science centre near Cambridge. The government's Medical Research Council and the Wellcome Trust, the largest UK charity, would jointly fund the building of the European Bioinformatics Institute. EBI will provide computerised information about human, animal and plant genes to researchers throughout Europe. The UK is competing with Germany to host EBI. The Germans want the institute to go into a new building on the site of the existing European Molecular Biology Laboratory in Heidelberg, Britain, in contrast with France, Germany, Italy and the Netherlands, hosts very few European scientific institutions.

London office for BFG Bank

BFG Bank, Germany's sixth-largest bank, bought a London office for £70m from Shell Financial Trust - the latest in a recent spate of large acquisitions by German investors who are attracted by the long leases and high investment yields of London office buildings. The 216,000 sq ft building, gives the purchaser an initial yield of 9.75 per cent.

Ofwat urges companies to stop leaks, install meters

By Bronwen Maddox, Environment Correspondent

OFWAT, the water industry regulator, yesterday urged companies to plug leaks in water mains and install new water meters rather than build expensive new reservoirs to meet growing demand for water.

Mr Ian Byatt, Ofwat's director-general, said meters were installed in only 5 per cent of households. But he warned that some metered customers had been charged too much for water.

According to Ofwat, steps the companies are taking now will account for a quarter of the rise in water bills above the rate of inflation between 1990 and 1995.

Yesterday's report by Ofwat is the last in a series of consultation papers leading up to next year's periodic review, at which it will reassess the basis for annual price rises for the first time since the December 1989 privatisation. Wide differences between the companies and the regulator have emerged on the question of how customers should pay for improvements.

Ms Janet Langdon, director of the Water Services Association which represents the 10 large water and sewerage companies, said yesterday: "We don't think it's yet clear that metering reduces demand - it is premature to conclude that ahead of the results of trials by the Department of the Environment and the companies which will be completed later this year."

She added: "We have a statutory duty to supply water and if it suddenly ran out there would be the most fantastic row."

According to Ofwat's report, average water bills for metered households in some regions were between £12 and £60 a year higher than for unmetered households, and sewerage bills were between £8 and £73 higher. The average annual household water and sewerage bill this year is £170.

Mood of desperation haunts government

THERE are dark mutterings again on the Tory backbenches. It is not so much panic, more a mood of resigned desperation. Each week it seems brings a fresh crisis, each crisis a fresh U-turn.

The latest furore over Maastricht is symptomatic. Nothing new has happened. It has been apparent for months that the eventual vote on Labour's amendment to remove the British opt-out from the social chapter would create an uneasy alliance to threaten the government's majority.

Lord Tebbit, Labour leader Mr John Smith and Mr Paddy Ashdown of the centrist Liberal Democrats have added nothing to their previously

stated positions. The latter two insist the treaty would survive the amendment. Lord Tebbit and his faithful band of Eurosceptics in the House of Commons are in ironic agreement with the foreign office that insertion of the social chapter would wreck the legislation.

The vote is at least four, and possibly as many as eight, weeks off. A defeat would be a serious blow for Mr John Major. But it would be followed by a vote of confidence. The prime minister would win. The amendment could then be removed again at the bill's report stage.

That the issue has caught alight so far in advance of its denouement simply underscores the brittle confidence of

the government and its supporters. When there is no immediate crisis in sight they go in search of one.

But it is not quite so hard to understand the undercurrents of anxiety among Tory MPs. The crumbling of confidence in the pound on financial markets has provided an awkward reminder that sterling crises happen outside as well as inside the exchange rate mechanism. Economic recovery seems elusive. The chancellor is threatening to increase taxes. Unemployment is heading above 3m. Friends in the City warn that inflation might soon be a problem.

The backbenchers have no simple or coherent remedy of their own. His intensive pre-

budget consultations have left Mr Norman Lamont's ears ringing with confusion.

Some want immediate tax increases - via the extension of Value Added Tax - to halt the haemorrhaging in government finances. Others insist that any significant rise in taxation eventually would send Mr Major the way of Mr George Bush. The favoured compromise is the announcement in March of modest tax increases to take effect in December.

The prevailing assumption in the cabinet is that until economic recovery is visible and until the party has stopped tearing itself, the government should be content to avoid defeats in the Commons.

Philip Stephens

Former minister defies party line

THE "polecat adorned with ermine" - an epitaph he chose himself - was back. Lord Tebbit demonstrated yesterday his flair for grabbing the headlines and shaping political debate at Westminster.

Addressing journalists at the Commons, he said that when he joined the House of Lords "there must have been a good many in high, or even low, places muttering, 'well that's got him nailed up safely in his political box'."

Not for the first time, Lord Tebbit, with his caustic anti-Maastricht plotting, was biting at the establishment that once fed him.

He may have been flattering himself unduly. Elsewhere at Westminster, the reaction was more condescending than outraged. Mr Douglas Hurd, foreign secretary, was not provoked into a rebuttal. A government official sniffed: "He is yesterday's man."

The 61-year-old former Conservative party chairman, trade and industry secretary, and employment secretary, has only a fraction of the influence he once held. At his height he was a close ally of Mrs Margaret Thatcher (now Baroness Thatcher, former prime minister). He was the archetypical

Ralph Atkins on Lord Tebbit - 'polecat' of the Tories

Thatcherite minister, a state-educated boy who had worked himself to the top. His brash style fitted in a conviction-driven government. He told the unemployed to get on their bikes to look for work. He was ambitious, privately harbouring ambitions to be Conservative leader but left the government mainly to care for his wife, who was badly injured when the IRA bombed the hotel used by the Tories during their 1983 conference.

He did not, however, have a personal following in the House of Commons and, after leaving office, earned disrespect for raising immigration as a political issue. Now he risks devaluing his credibility with each, ever stronger, outburst.

His importance rests on the belief that he does, to some extent, speak the mind of Baroness Thatcher - still a totem for the Tory right-wing.

He is a master of rabble rousing, successfully dividing last October's Conservative



Lord Tebbit, at the peak of his career as Tory chairman, hails an ovation at the 1985 conference led by the then prime minister, Margaret Thatcher. He has since been branded a rabble rouser

conference with an electrifying speech on Europe in front of Mr John Major and Mr Hurd. He is an embodiment, perhaps, of the darker side of many Tories - enunciating their fears about an encroaching European state.

But he has received a luke-

warm reaction from some Tory Euro-sceptics. "We don't take our orders from Tebbit," said one. "We will take our own decisions in our own time," said Mr James Cran, a prominent dissident.

Lord Tebbit may have damaged their tactics. One loyalist

Tory said the Euro-sceptics' debate about the opposition Labour party's amendment to the Maastricht treaty was peaking too earlier.

But that may be too optimistic. Lord Tebbit's talent for self-resurrection is not exhausted yet.

Music industry plays a familiar tune

BOB Dylan was back in London this week, singing his old hits. The critics complained that he seemed bored - if so, he was again capturing the spirit of a former age.

Last year, the British music industry saw deliveries to record dealers drop 2.4 per cent to £282.5m - the first fall since 1980. In the most difficult trading conditions many in the music industry have seen, companies have fallen back on old and trusted names.

Mr Simon Burke, managing director of the retail arm of Mr Richard Branson's Virgin group, says: "There's been an undue emphasis on safe bets, like Cher, Madonna, Michael Jackson. They're eminently bankable, but they're not new."

Music manufacturers and retailers report that other successes have been compilations of greatest hits by familiar names such as Pink Floyd, Cliff Richard, Queen, Genesis and Simple Minds. Industry

Michael Skapinker examines the reliance on ageing stars by manufacturers and retailers facing recession

executives, meanwhile, say that although new names pop into the charts frequently, few have had a lasting impact.

Mr Paul Conroy, managing director of Virgin Records, which Mr Branson sold to Thorn EMI last year, says: "There have been a lot of one-off hit singles. But the artists don't go off and develop acts. You look at the acts that there are and a lot of them are old people."

Mr Burke says: "The strength of creative output is not as great as in the old eras of music, but these things go in cycles. During the 1980s, music had a pretty good time, but you can't do that forever."

The drop in sales has been particularly marked among the under-25s, usually a mainstay of the music business. The recession and the absence of new hits only partly account

for the dearth of young buyers. Industry executives point to the large number of alternative leisure pursuits available, particularly computer games.

Mr Burke says although music sales in Virgin stores will be higher this year than last, it is teenagers buying computer games who will really lift profits. "There's a buzz around new computer game releases that there used to be 10 years ago around new music releases."

Mr Brian McLaughlin, UK managing director of HMV, the music retailing arm of Thorn EMI, says sales have been better among the 25-40 age group. "They're becoming a more important part of our business. They're more interested in music than they've ever been." The compilations of old hits

have sold particularly well to this group. Many were previously vinyl record buyers who are now building up compact disc collections.

A particular disappointment to the industry has been the failure of classical music and opera to retain the sales momentum they built up in the late 1980s and early 1990s. The success of Nigel Kennedy, the British violinist, and the huge sales generated by the opera star Luciano Pavarotti raised hopes that classical music had extended its appeal to more British consumers.

But Mr Burke says: "That burst of enthusiasm for classical music was a bit of a flash in the pan. It was a trend based on a few artists and a few particular works that people wanted."

The industry hopes that the success of the Classic FM radio

station will regenerate interest in classical music. Some classical compositions are still attracting buyers. A surprise success has been the Polish composer Henryk Gorecki's third symphony.

Mr Rupert Perry, UK chief executive of EMI, says a music industry revival may be some way off. If past experience is any guide, he says, the music industry will recover a year after the rest of the economy.

He and many of his colleagues reject the recent accusation by Sir Malcolm Field, managing director of WH Smith, that manufacturers have kept CD prices too high and that they should cut them to stimulate sales. "WH Smith's results weren't good, so he's trying to point a finger," Mr Perry says.

Mr McLaughlin says: "It's always questionable that if you drop prices volume will go up. We're not seeing any resistance to CD prices. CD sales are still growing, even during a recession."

Export demand shapes pattern of regional recovery

By Peter Norman, Economics Editor

EXPORT demand is shaping the regional pattern of economic recovery in Britain, with industry in north-west England, Wales and Scotland reporting increased overseas orders following the devaluation of sterling after it left the European exchange rate mechanism in September, according to a survey published yesterday.

The latest quarterly survey of regional trends from the Confederation of British Industry and Business Strategies, an economic consultancy, found total manufacturing orders and output fell in all UK regions except Wales in the four months to January.

Export orders increased in Wales, Scotland and north-west England between October last year and January, while manufacturers in the north-west and south-west also increased their deliveries in overseas customers.

Manufacturers in all regions expect increased export orders in the first four months of this year. On balance, industrialists in all regions expect to deliver more products overseas, except in the east Midlands, the area of central England where export deliveries are expected to be unchanged.

The survey of 1,173 UK companies, carried out between December 21 and January 11, found increased optimism about the business situation and export prospects over the next 12 months in all regions. Mr Charles Burton, joint managing director of Business

Strategies, said the linkage between increased optimism and improved export prospects gave some hope that the expected recovery would not be another false dawn.

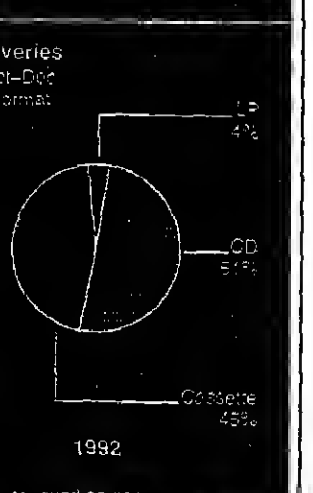
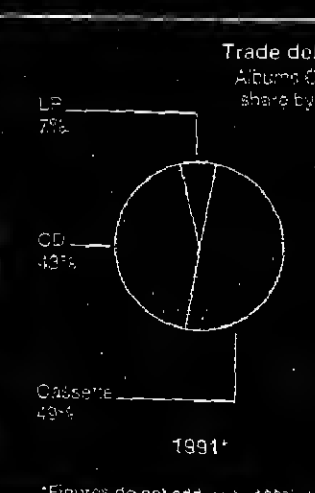
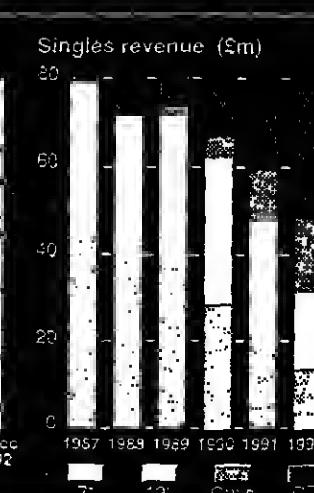
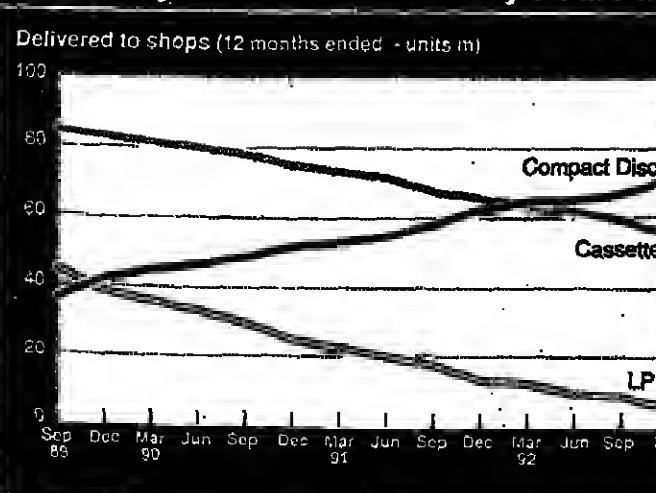
According to Mr Andrew Sentance, the CBI's director of economic affairs, business confidence improved most in south-west England, the west Midlands, Wales and south-east England. The smallest rise in optimism was reported in the east Midlands, northern England, Yorkshire and Humberside, East Anglia and Northern Ireland.

The survey found manufacturers in all regions expect increased orders in the first four months of this year but output is expected to grow less robustly as companies run down stocks. Companies in northern England anticipate a sharp reduction in stocks over the coming months with the result that output in that region is expected to continue falling.

The outlook for jobs in manufacturing is bleak. Manufacturing employment is expected to fall to 4.43m at the end of the first quarter of 1993 from an estimated 4.5m at the end of last year.

All regions will experience job losses. London and south-east England will be particularly hard hit, with manufacturing employment falling by about 7.5 per cent in the present quarter compared with a year ago. Wales and Northern Ireland will suffer least, with manufacturing employment forecast to fall by 3.1 per cent compared with the first three months of 1992.

It's hardly music to the industry's ears ...



*Figures do not add up to 100% due to rounding down

Source: BPI Survey of UK Trade Deliveries

Selling coffee to the Brazilians

The world's largest coffee producer is fighting to maintain its home market, writes Christina Lamb

From plush government ministries in Brasilia to humble wattle and daub homes in the poverty-stricken northeast it is impossible to go anywhere in Brazil without being offered a cafezinho, a small cup of strong black coffee so full of sugar that a spoon stands up in it.

It is such a national symbol that last year, when the presidency wanted to convey to the people the full gravity of the country's economic crisis, it stopped serving cafezinhos in its offices. Surely the world's largest coffee-producing country does not need to advertise the stuff to its own people.

Yet Brazil is currently in the throes of an advertising blitz on television and in magazines to promote the world's favourite pick-me-up. Supermarkets are handing out leaflets and recipe cards and taste stands have become a common sight at conferences and seminars in the latest stage of the Brazilian coffee industry's first-ever promotion campaign.

For while Brazil remains the world's second largest consumer, per capita consumption has plummeted by almost 50 per cent in the last 10 years. The worried coffee industry started to respond in 1989 - initially through targeting retailers and trying to encourage the public to differentiate between blends and become more discriminating. Lately, the generic campaign - which has cost more than \$10m (\$6.8m) and is the first of its kind by any sector of the Brazilian

food and drink trade - has been aimed more directly at consumers.

Nowhere is more associated with coffee than Brazil. It has been grown there since 1727, after a goat-herd in Ethiopia discovered his charges became more frisky whenever they ate coffee beans. Brazil is now responsible for 25 per cent of world production though coffee is no longer the basis of its economy.

Always focused on exports, the Brazilian coffee industry until recently paid little attention to the home consumer. As a result the local population thought it was being fobbed off with inferior products and began turning to other beverages such as tea or juice.

In 1988 a study commissioned by the Brazilian Coffee Roasters and Grinders Association found that 67 per cent of Brazilians thought that "all good and pure coffee was exported and that sold in Brazil was impure and of low quality".

This was partly true. Years of government price controls meant that the local industry had no incentive to produce better coffee for the domestic market. However, since 1989 a world glut and falling international prices has intensified the need to build up the home market. America Sato, president of Abic, explains: "It has become essential for our survival to recapture Brazilian consumer confidence in the quality of our coffee".

In its study Abic found that Brazilian per capita consumption had dropped from 4.6kg per annum to 2.8kg since the 1970s and was falling off rapidly. "We were ceding space to other drinks and there is a big potential for increase," Sato says.

As a first step the industry created a "self-monitoring and purity control programme", establishing the Abic seal of quality and contracting consultants Peat Marwick and Ernst & Young to oversee a

constant evaluation. The seal is now on 80 per cent of coffee for domestic consumption.

The 600 members of Abic united to invest \$2m a year in marketing. "If we were to reconquer the consumer it had to be through an institutional campaign rather than just separate companies advertising their own products," says Sato.

Abic contracted the São Paulo-based Rino advertising agency with the aim of increasing total consumption by 30 per cent in the next two years to 11m bags (each 60kg). Rino Ferrari, who heads the campaign, says: "It is a major challenge. Coffee has a serious problem in Brazil. It's not just a matter of saying coffee tastes good, but of totally changing the image of coffee."

The liberation of prices in 1981 meant that the industry could concentrate on quality for the home market and the latest stage of the campaign focuses on quality and

diversification. Sato explains: "In the past all coffee in Brazil was seen to be equal and of a lower standard. Now we're saying 'coffee is different and each consumer has his or her own palate so buy accordingly'."

The television ads currently showing during prime time show a group of different people, all wearing the same mask, under the slogan: "Purity you must demand. Quality you should choose."

The aim is to make consumers aware that coffee comes in different flavours and aroma resulting from different types of beans and degrees of roasting. Rino is also distributing free recipe cards and running adverts in women's magazines to show the different potential uses of coffee - in cakes, ice cream and Irish coffee, for example. Ferrari says: "We're aiming at everyone over 25 from all social classes but the real ambition is to get the habitual consumer to drink more, be more selective in the purchase and more adventurous in the use."

To encourage publicity an annual prize has been set up for reporting on coffee and Abic has started its own newspaper. An accord has been signed with Campinas University to monitor consumer reaction.

The next step is a \$3m promotion of coffee as a stimulant, aimed at young people whom Abic has found begin drinking coffee only after starting work. "Coffee is seen as Brazil's national drink throughout the world," says Ferrari. "We have to make sure Brazilians keep drinking it."



ESTÁ NA CARA QUE UMA MARCA DE CAFÉ NÃO É IGUAL A OUTRA.



The current campaign aims to make consumers aware that coffee comes in several flavours resulting from different types of beans and degrees of roasting

Soft approach keeps toilet paper ads rolling

Gary Mead looks at Andrex's plans to take its puppy campaign to the Continent

In 1942, Andrex Surgical Toilet Wadding established a set of brand values which, in 50 years, have hardly changed.

Today it is difficult to imagine any consumer goods company running advertising with the same blatant snob-price appeal; yet premium pricing remains the foundation of Andrex's extraordinary success.

That success was demonstrated recently by market research which puts Andrex into fourth place in the league table of UK brands sold through grocers. On an advertising spend of \$13m, according to Nielsen research data, Andrex sold \$18m in 1992, moving ahead of Nestlé's coffee brand, Nescafé (\$177.8m). Only Unilever's soap powder, Persil (\$237.2m), Coca-Cola (\$237m) and Procter & Gamble's soap powder, Ariel (\$224.4m), did better.

On other score sheets Andrex's showing is even more impressive; according to the trade magazine Marketing, its \$5.7m television advertising campaign achieved a higher prompted recall than any other brand, leaving the much-hyped Nescafé Gold Blend advertising, featuring the drawn-out saga

of a couple whose on-off relationship is conducted over coffee beans, in only fifth place.

The fast-food chain McDonald's spent almost three times that sum on its television advertising in 1992, but languished 19 places behind Andrex in Marketing's prompted recall chart.

Andrex's up-market strategy was evident from its first campaign, with press advertising which subtly probed the consumer psyche: "You buy powder and good soap, of course, but are they everything? What do you use in your toilet? Is it as safe and as pure as it should be? Are you paying enough for it?"

Customers probably were; at the time of its launch Andrex was sold only in Harrods. In the meantime Andrex, now owned by Scott Paper, has become a classic example of a brand which has successfully managed to charge substantially more - a price premium of up to 40 per

cent above the market average - and yet dominate on what should be a thoroughly commoditised and price-only battlefield.

Andrex currently has about 34 per cent (by value) of the UK toilet tissue market, the next major brand being Kleenex, owned by Kimberly-Clark, with 12.6 per cent (ranked 26 in Nielsen's top 100 brands). The questions now are

Andrex's up-market strategy was evident from its first campaign: 'What do you use in your toilet? Are you paying enough for it?'

how far it can sustain its position in the UK - especially given the rise of own-label brands right across the spectrum of consumer products - and how far Scott can penetrate the continental European market. Kleenex, for one, is investing \$200m in what is claimed to be

Europe's biggest toilet tissue mill, in France, aiming at taking the European toilet tissue market by storm this decade.

It took a step in that direction one year ago, by introducing common European packaging for the entire Kleenex toilet tissue range.

In the UK, though, Andrex faces its major marketing battle not against Kleenex but against own-la-

Andrex, a premium product, plenty of scope for eating into the own-label threat.

Andrex is a UK-only brand so far; Scott markets toilet tissue under other brand names, Scottex and Cottonell, in the rest of Europe. But Scott intends following up the astonishing popularity of its UK television advertising campaign - featuring a Labrador puppy which

originally thought of using a little girl to muddle up a toilet roll; but the Independent Television Commission, the UK body which monitors television advertising, ruled against the idea on the grounds that it might be seen as encouraging children to waste paper.

JWT has been Andrex's advertising agency since 1956, which itself is something of an achievement given that client-agency relationships tend to be stormy affairs. The puppy was thus substituted, with the idea of demonstrating what Andrex claims as its key attributes - softness, length and strength.

At least one own-label premium toilet tissue in the UK - Tesco's - has thought Andrex's original slogan - "soft, long and strong" - good enough to be worth adopting on its own product.

At the end of January this year JWT Europe got the go-ahead from Scott to set the puppy running

across west Europe's TV screens. It is now being used in Spain, Portugal, Belgium, Italy and Germany. Andrex's marketing manager, Paul Duncanson, is fond of the puppy: "I cannot overestimate the contribution that little animal has made."

He has every reason to be proud; since the puppy first appeared, Andrex's volume share of the UK toilet tissue market has risen from 5 per cent to its current dominance.

But Scott faces a tricky problem in its effort to repeat across Europe its UK branding success with Andrex. In France, for example, the biggest brand, Lotus, has a volume share of less than 16 per cent and sells at a price premium of only 19 per cent above the market average.

In Germany - the largest European toilet tissue market accounting for about a quarter of EC volumes - the biggest brand is Bess, with a national volume share of only 11 per cent. But the own-label sector has 67 per cent of the market, and has recently witnessed a price war. Scott and JWT will be hoping that their old dog will be able to come up with a few new tricks to please potential continental customers.

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CFCs get the cold shoulder

Italy's Candy white goods group this week unveiled what it says are the world's first mass-produced refrigerators which work without environmentally-damaging chlorofluorocarbons.

The new fridges use HFC 134a, an alternative chemical which is now the front-runner to replace CFCs in refrigerator applications. Unlike CFCs, HFC 134a does not harm the earth's ozone layer. It is in commercial production by ICI and Du Pont.

The Candy range, which is being introduced two years ahead of a European Community accord to phase out CFCs by 1995, may soon be followed by other leading manufacturers. A number of European companies are believed to be working on CFC-free fridges, some of which may be unveiled at next week's big Domotecnica consumer durables trade fair in Cologne.

Although the new range does not include CFC refrigerant, it is still only a half-way house as far as the use of chemicals for insulation is concerned. For their insulating material the Candy fridges use BCFC 141h gas, a hydrochlorofluorocarbon which Candy admits is "a transitory solution". Although the chemical dissipates in the atmosphere 10 times faster than CFCs, researchers are still working on an environmentally harmless solution for insulation use.

Silvano Fumagalli, chairman of Candy's main operating company, said the group, like other big white goods makers, was looking into the use of cyclopentane as an alternative. Experimental fridges using cyclopentane are already believed to have been tested.

However, the gas is dangerous to handle and foam produced from it is a less effective insulator than that from HCFC 141h.

Fumagalli said Candy was working closely with chemical companies in the search for suitable alternatives. The new Candy fridges already marked a step forward in eliminating CFCs without compromising operating standards, he said.

Halg Simonian

The single European market is only one month old, yet the community's flagship technology project has already foundered.

The high-definition television strategy promised to bring cinema-quality pictures to Europe's television screens, by imposing a single standard, HD-Mac, on Europe's broadcasters. But that promise now seems increasingly hollow.

"The European Commission's approach has been most unfortunate," says Philip Carse, a consultant at National Economic Research Associates (Nera) in London. "It has backed a standard which is becoming obsolete by the minute."

For the European taxpayer the bill for research and development into HDTV runs into hundreds of millions of pounds. But the cost to Europe's struggling electronics companies is more than monetary.

They have now missed the opportunity to accrue manufacturing experience in the latest technologies, while Japanese manufacturers have grasped the opportunity with both hands. Japanese broadcasters, too, are gaining experience in programme making for HDTV.

But as manufacturers sit through the bones of Europe's high-profile venture, many experts are increasingly sceptical that consumers would have paid for a technology which brought only incremental improvement in the quality of the television picture.

"My view was that it would always be a slow take-up," says John Forrest, chief executive of NTL, the privatised transmitter and engineering arm of what was the UK's Independent Broadcasting Authority. "The question was whether people would be prepared to pay to switch from pretty good quality television to HDTV. It was not the same jump as from black-and-white television to colour."

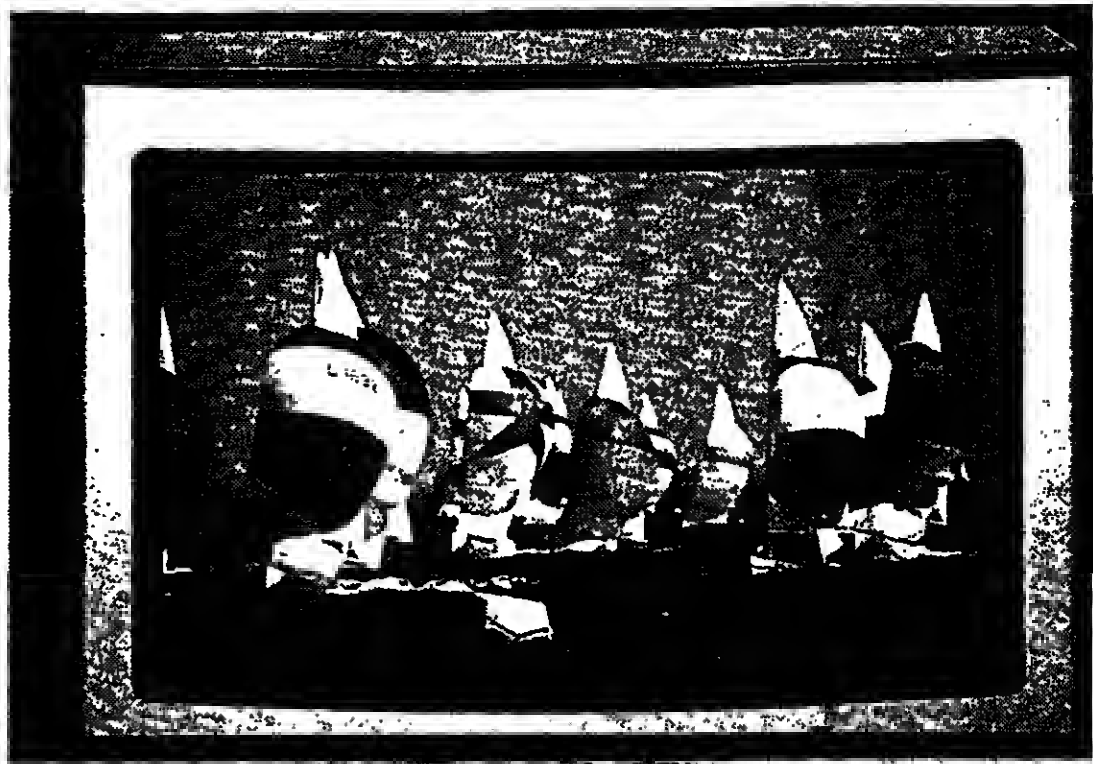
Even the most ardent proponents of HDTV acknowledge that the full benefits of the improved picture cannot be achieved on the standard 21- or 23-inch television set. Initially viewers would probably need projection television - where the picture is broadcast like an old-fashioned home movie on to a screen. As technology developed, large flat-screen television sets would be used, but for these viewers would probably have to wait until the next century.

HDTV promises a better-quality picture because it crams more picture elements, or pixels, into each square inch of the screen. While conventional TV pictures have 120,000 pixels, HDTV has about 720,000.

The fundamental dilemma was whether consumers would even notice the difference. To the exas-

After European HDTV's expensive crash, Della Bradshaw, Louise Kehoe and Michio Nakamoto ask what can be salvaged from the wreckage

Searching for a clearer picture of the future



In Europe viewers will probably have to wait the introduction of a digital system before they will be able to watch HDTV

peration of many television engineers, viewers appear quite content to watch fuzzy pictures on tiny portable televisions with serials made out of wire coathangers. And most viewers are prepared to ignore, or at least tolerate, the deterioration in picture quality when watching a programme which has been recorded at home on a VCR.

Perhaps the biggest factor pointing to the demise of HD-Mac was that it was developed for satellite and cable transmission only. In the UK, for example, only 12 per cent of homes are connected to such services - most viewers receive their programmes through a network of terrestrial transmitters.

Carse, one of the authors of a recent Nera report on HDTV, compiled in conjunction with Brunel University, says that if the analogue HD-Mac system were implemented in Europe only about 5 per cent of viewers would take up the service.

In Japan, NHK, the national broadcaster, has also opted for analogue HDTV technology which therefore can only be broadcast on satellite and cable. NHK has been broadcasting daily eight-hour doses of programmes in High Vision, the Japanese name for HDTV, which the public can view at more than 450 points in public areas, such as railway stations and public halls.

Although NHK and consumer electronics manufacturers have kept up the publicity in a concerted effort to maintain the momentum - November 11 has even been named National High Vision day since the Japanese system uses 1125 lines - there is growing scepticism about Japan's chosen path.

High Vision has been introduced at a time when grim economic news has largely extinguished consumer interest in expensive, highly sophisticated luxury electronic goods. The cost of a HDTV set in Japan is at least ¥1m (£5,300).

To compound the problem, public knowledge of digital television is increasing, and the improved picture-quality of High Vision seems to pall in the face of what digital television could offer - better information services, interaction with com-

puters and, above all, superior picture and sound quality.

For the broadcaster, digital signalling brings other advantages. At least four times as many digital channels can be squeezed into a given amount of broadcast capacity as analogue ones. That means that one or two high-definition channels could be transmitted in the capacity used today for a conventional signal. Digital signals also use only one thousandth of the power of their analogue counterparts.

Everyone acknowledges that eventually everybody will go digital - the only question is when. The US government has decided to skip the analogue phase altogether. The Federal Communications Commission has recently completed technical tests of five proposed HDTV systems and a panel of FCC testers is meeting in Washington this week

to prepare a preliminary decision on which should become the US standard.

The Advisory Committee is scheduled to bring its recommendation to the full FCC at the end of this month and a final decision should then be reached by the summer. "The FCC intends to double the number of broadcast stations in the US, with the new stations being dedicated to HDTV service," says Gerald Heller, executive vice president of General Instrument's VideoCipher Division, in San Diego, which has developed DigiCipher, one of the five systems being tested.

The advisory committee could select a single system but seems increasingly likely to recommend a combination of two approaches. If all goes according to schedule, then the first HDTV sets should be available to consumers by mid-1995

or early 1996, at a price of up to \$3,500 (£2,300). Prices are expected to come down quickly with volume manufacturing, but even at \$1,000 an HDTV set would be between two to four times as expensive as a television set in the US today.

In Europe it looks increasingly as if viewers will have to wait until the introduction of a digital system before they will be able to view HDTV. Roh van Oostenbrugge, European television development manager at Philips, the company which precipitated the European crisis by announcing it would not be manufacturing HDTV sets this year as previously planned, believes it will be at least 2000 before a digital standard can be adopted in Europe. Others believe digital broadcasts could be introduced via satellite more rapidly.

In the meantime, the demise of

the European version of HDTV means European television viewers will continue to face a plethora of standards - Pal, Secam, Pal Plus, D3-Mac.

"It will only become worse not better," complains van Oostenbrugge. This proliferation of standards will fragment the marketplace further and drive up costs to the consumer, he argues.

For European broadcasters and electronics manufacturers, digging among the ashes of HD-Mac, the news is not all gloomy. Numerous developments can be retrieved and exploited.

Although the picture transmission part of the HD-Mac specification is analogue, much of the studio technology and that used in the television sets themselves is digital, and could be developed for use with a digital high-definition system.

What the consumer will see more quickly is the proliferation of wide-screen television sets, an interim step on the way to HDTV. Wide-screen sets have screens with a height to width ratio of 16:9 compared with 4:3 for conventional box-shaped sets. The wide-screen format also brings slightly better picture quality.

European broadcasters are already beginning to broadcast some programmes - notably films - in the wide-screen format and manufacturers are selling the new sets in Scandinavia, France and Germany.

The options for European broadcasters when selecting the digital HDTV standard will be numerous. A Scandinavian group which includes the Swedish Broadcasting Corporation and the Swedish Television Company, for example, has developed a prototype system for digital terrestrial HDTV called HD-Divine (digital video narrow-band emission).

And in the UK, NTL has developed a system for the Independent Television Commission which squeezes digital signals between the existing analogue signals. The spaces are "no go" areas for further analogue signals as these would interfere with those already there.

A third option would be to adopt the same system as the US. The likelihood of this increases if Japanese manufacturers and broadcasters also decide to follow the US in digital broadcasting.

While European manufacturers and broadcasters puzzle over the next move, their Japanese counterparts are forging ahead, gaining invaluable experience on how to best exploit HDTV in programme making and equipment manufacturing. By waiting for a digital standard, manufacturers in the US are in pole position to determine a world standard for digital high-definition broadcasts.

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PEOPLE

Beecham's Boyle moves to BUPA

David Boyle, a 28-year veteran of Beecham, is moving to take charge of the international division of BUPA. He becomes one of three managing directors on the board of Britain's largest private healthcare group, all reporting to chief executive Peter Jacobs.

BUPA covers around 854,000 people on the international side, with a turnover in 1991 of £178m. The organisation, which has seen falling income as premiums and costs have shot up in Britain, says that premium increases on the international side, at an average of 15 per cent, have kept pace with the costs of health care and that the number of people covered by the division rose slightly in 1992 compared with the previous year.

His most recent assignment



at SmithKline Beecham was a four-year stint as chairman of consumer brands, European division, a position two levels down from the main board of the Anglo-American company. Previously, he had travelled widely in various capacities and had lived in Kuala Lumpur in the mid 1970s as the regional

managing director of Beecham products, Far East.

Why is he coming to BUPA? "The main reason," says Boyle, 50, "is that after 28 years it is stimulating and refreshing to make a move." He adds that there are many similarities between the two jobs: "On the insurance side, after all, BUPA is simply providing a consumer product."

BUPA has a significant toehold in the Spanish market via its subsidiary Sanitas, as well as activities in Hong Kong, Malta and Cyprus. Boyle says part of his brief will be to extend the regional coverage, but will not be drawn further.

Boyle replaces David Shaw, who had headed international for two and a half years, and who is retiring after 23 years with BUPA.

Queens Moat Houses, the UK-based hotel group with 3 large European presences, has appointed two of its continental executives to the main board.

The two new directors are Peter Bertholdt, 47, who is responsible for the group's operations in Germany, Austria and Switzerland and Leonardus van der Meer, 49, who heads the business in the Netherlands and Belgium.

Queens Moat has more hotel rooms outside the UK than in. John Baisrow, the chairman, said last year that the Continent would become even more important to the group. He said that "the UK will progressively become one of our major areas of operation, rather than the malnourished of our business", the two new board members had played a central role in establishing Queens Moat on the Continent.

Ian Fraser, md of Reliance Security Services, is also appointed md of RELIANCE SECURITY GROUP; he replaces Peter Falce who is leaving to pursue other interests.

Sean Lance and Neil Maidment have been appointed Tds at GLAXO HOLDINGS and on to the main board. Graham McVey, formerly a director of Reed International and chairman and chief executive of the Reed Business Publishing Group, has been appointed chief executive of FINDLAY PUBLICATIONS.

Mike Rodwell has been promoted to become md of SCHINDLER Ltd, the UK subsidiary of the Swiss group.

Analyst-go-round

The move of John Aitken, the City's top-rated banking analyst, from NatWest Securities to UBS Phillips & Drew should mean that the merry-go-round in City banking analysts has probably come to a stop for the moment.

It started a year ago when Nick Collier, Hoare Govett's banking analyst, moved to Morgan Stanley. His move left Hoare vulnerable since it was broker to Lloyds Bank. It then recruited Peter Toeman and Steven Thorn, the City's number two banking team, from UBS Phillips & Drew.

Shortly afterwards, David

Pontney, the other member of the UBS team, left along with Terry Smith, who was head of research and a well-known bank-watcher. They have joined Collins Stewart, a small firm of brokers.

Aitken's move to UBS Phillips & Drew - he used to work for P&D some years ago - plugs an obvious gap in its research team. Meanwhile, Aitken's deputy, Mark Eady, will continue to research the banks for NatWest Securities. Adam Murza, a former editor of the Estates Times and veteran City property analyst, has quit stockbroking and joined Guardacore Group, an unquoted property investment company.

Sir Hal leaves the driving seat

Ex-Tory MP Sir Hal Miller is to leave his job as chief executive of the Society of Motor Manufacturers when his contract expires at the end of March.

The extrovert 64-year-old former member for Bromsgrove and Redditch, brought in by the SMMT to give a higher profile to the manufacturers' body as its first full-time chief executive, has held the post only since November 1991.

He is to take up an as-yet unidentified "senior position" in the textiles industry.

His departure, announced yesterday, came as a surprise to many in the industry, who had expected him to renew his contract for a further year. Sir Hal was believed to have



wanted to oversee preparations for the 1994 motor show, which is potentially the last to be held at Birmingham.

London and becoming an annual affair from 1996.

Otherwise, despite the recession in the UK motor industry, he will be leaving with at least one feather in his cap: during his 16 months in office he is widely credited with having played possibly the lead role in persuading the government to abandon the 10 per cent Special Car Tax which had been the industry's bete noir for two decades.

There are, as yet, no declared favourites to succeed him, though one candidate must be fellow former MP Roger King, whom Sir Hal drafted in as the SMMT's head of external affairs shortly after his own arrival.

Pop concert Dylan

What drives Bob Dylan on to tour and tour again remains a profound mystery. The never-ending circuits of the world must fulfil some deep psychological need that a more sedentary form of existence could not. For Dylan to stay in seclusion, dispensing the occasional album with the seigneurial flourish befitting a rock legend of his luminosity obviously would not suit him. Yet there is no evidence that he takes any obvious delight in the contact with his fans; for two hours he gives and the audience takes, while not a word is spoken and smiles are strictly rationed.

It is an uncomfortable prospect, there are too many gruesome reports from around the world of an apparently bored Dylan going through the motions oblivious of surroundings while his band does its best to second-guess the next move, to approach any appearance with positive expectations. Tuesday's concert was the third in Dylan's week-long London run. By his standards it was a relaxed and involved affair; at times he seemed almost perky. It was also, in its way, totally spell-binding.

There were plenty of ragged edges (does this man ever rehearse a song from beginning to end, one wonders?), a sprinkling of mispronunciations (usually involving the harmonica), but never a hint that he was anything but fully engaged. His current four-piece band has a country-rock feel, leaving its heavyweights guitars and drums with string bass, slide guitar and mandolin; that sound was laid down at the very start of the set, moving from "Maggie's Farm" through "Every Grain of Sand" and "Tangled Up in Blue" (the resilience of this song in particular tested almost to destruction) on to a fierce, unforgetting "All Along the Watchtower" which gradually built in intensity and concentrated Dylan's efforts ever more. The same kind of momentum was generated at the end of the evening, by which point it was possible to adjudge that Dylan was, really, enjoying himself.

Perhaps that is the point. It is the search for the fix that comes from the occasional great performance which keeps him going, so that each concert is an experiment, an attempt to find another means to that end. How else to explain the constant worrying away at the lyrics and the melodic lines? In a treasure trove of his most familiar songs from the sixties, there was nothing arbitrary or wilful about it - the tender way in which "Mr Tambourine Man" was recast, short of its yearning vocal line and delivered as an introverted chant complete with haunted harmonica coda, or "Don't Think Twice" had its melody completely recast seemed anything but arbitrary. For the fans hearing those songs now may be a precious exercise in nostalgia for Dylan still, extraordinarily, they carry the potential for renewal and refinement.

Andrew Clements

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Woody the wizard

Woody Allen's deliciously strange *Shadows and Fog* is about the Known and the Unknown.

Part tragedy, part comedy, part human puppet-show, part charabanc tour through the dark night of the soul: it is a fantasy prelude in film noir tones to the later *Husbands and Wives*.

In America many hated it: mainly because there are so many plots bubbling at once that it is like being in a mad wizard's kitchen. We have Allen himself as Mr Kleinman, the humbling coward roped into a posse hunting a mass killer in a European town. We have circus sword-swallower Mia Farrow, flouncing out on husband John Malkovich after he has slept with treacher artist Madonna. We have the star-packed brooch (Kathy Bates, Lily Tomlin, Jodie Foster) where Farrow spends a fugitive night. We have Farrow-smitten student John Cusack; mad doctor Donald Pleasence; neighbour Kate Nelligan...

Whoah. Enough, you cry. How many films are being reviewed here under one title? But the multi-story skittishness of *Shadows and Fog* is its charm. If *Husbands and Wives* gave us the first great film from a new, free-associating Woody - conventional style and structure splintering under the power of improvised emotion - *Shadows and Fog* is like a gentler dressage for that drama of deconstruction.

Across the dinky squares, through the picture-book fog and darkness, lope the funny-myastherous Lilliputians. In style the film is a toy-theatre spoof on German Expressionism, looking for Lang and Murnau what *Love and Death* did for Dostoevsky and Tolstoy. But *Shadows and Fog* is also about good and evil, destiny and predestination. Herr Kleinman - Allen with apes and nervous soliloquies - knows he has been "chosen" but cannot figure out what for. Farrow's runaway circus girl

leaps into her fated midnight and finds a fated self-fulfilment. (She links up with Allen in what may be their last and most touching boy-meets-girl vignette.) And Doc Pleasence, pondering a moroseful of corpses, gazes straight and steely-eyed into the heart of life, death and the beyond.

Though Carlo Di Palma's black-and-white photography mimics a gloom-laden cine-Europe of 60 years ago, the film is also free-spirited enough to throw in some prime Woody repartees. (Farrow: "I slept

SHADOWS AND FOG (15)
Woody Allen

OLIVIER OLIVIER (15)
Agnieszka Holland

THE LIVING END (18)
Gregg Araki

STAY TUNED (PG)
Peter Hyams

with one man for money. Does that make me a whore? Allen: "Only by the dictionary definition.") And a classically left scene of romantic misunderstanding between Cusack and Malkovich shows that the director does not save all the good laughs for himself.

But *Shadows and Fog* is best when comedy balances on a knife-edge of the macabre; when the inquisitive despair that Allen over-formalised in his Chekhov-Bergman pieces (*Interiors*, *September*) is given the true texture of filmic malaise - human fear and defiance glittering in the shadows of the unknown.

When a film comes to a sudden narrative pause and flashes up the title "Paris, six years later," we fear the worst. Either the characters who were children will have grown up to become unrecognisable adults. Or those who were grown-ups will be

the same actors with a wisp of grey hair and a look of telegraphic disenchantment.

But Agnieszka Holland's powerfully imaginative *Olivier Olivier* skips over every lurking trap. In part one nine-year-old Olivier disappears from his rural home - never seen again after leaving to take food to Granny (yes, shades of Red Riding Hood) - and parents Francois Cluzet and Brigitte Rouan are split apart by sobs and recriminations. In part two 15-year-old Olivier is tracked down by Paris cop Jean-Francois Stevenin and restored to his ecstatic parents and startled sister.

But is it Olivier? The questionable resemblance of new actor to old has the audience clucking scornful scepticism: only to be out-clucked by the movie itself as it sows doubts in the midst of delight and then delivers a knock-out denouement.

Taken from a newspaper item, the story grows its own reality like a cutting newly planted in rich soil. One-time co-screenwriter with Wojciech Holland has learned the art of more-comes-from-less. The film never stops to "explain" its characters. The stormy father, the besotted mother; the enigmatic sister with her sacrificial rites and mystic powers (from telekinesis); the teenage Olivier's moody inconsistency of recall. The characters are "givens" who create their own human weather system, as alien and yet as recognisable as the sycamore. And domestic trivia, from a squalling cat to the musical beds of sleeping children climbing in and out of their beds, become the meteorology of changing emotion.

Gregg Araki's *The Living End* is an AIDS-on-road movie and as delectable as that sounds. Two HIV-positive Californians, bookish Jon and hell-raising Luke, throw themselves into each other's arms and then onto the open road in this film that resembles



Mia Farrow: a runaway circus swordswallower in Woody Allen's 'Shadows and Fog'

a cross between a gay *Badlands* and a *Wild At Heart* for sexual militants. Casual murders, lots of outlaw lyricism; and a sense of two people narcissistically narrating their own lives as they glide attitudelessly towards death.

Jon (Craig Gilmore) is a film critic writing a thesis on the "Death of Cinema". (No comment.) Luke is a drama queen with honied pectorals who wants to blow his brains out during a final dazzling orgasm. When not giving screen time to these tinpot tragic heroes, debut director Araki branches out into caricatured women. These range from two loudmouthed lesbians scripted for penis-envy dialogue to a Bette Davis lookalike with pillow talk and kitchen knife. This last floats into an early love scene between Luke and a pick-up, delivers the line "This isn't the Seventies any more, you know" and stabs the pick-up to death.

Reality? Fantasy? Comedy? Horror? Who knows. Who, alas,

cares. Mark this down as the first, worst film of a director who may improve when he empties his system of gay special pleading and camp melodramatics.

Stay Tuned is, if possible, worse. Married couple John Ritter and Pam Dawber, Faustians of the hi-fi age, have adventures in a nightmare TV-land run by Satan figure Jeffrey Jones. Sucked into this "other world" via a giant satellite dish, they become actors in spoof shows like *The Golden Girls*, *Meet The Manors* and *Northern Exposure*. The cod titles are the funniest thing. Elsewhere this is fast, frenetic, fun-free tripe: scripted by ex-advertising duo Tom Parker and Jim Jenewein and directed by Peter Hyams.

To conjure the true spirit of comedy this week requires necromancy. The late Buster Keaton, greatest of silent comics, unlocks his stone-faced splendour in a season at the Barbican. Sherlock Junior is joined by two classic

shorts, *The Love Nest* and *The Playhouse*. In a programme no connoisseur of mute mirth should miss. (But be warned: the odd sound effect has been added to *Sherlock*.)

The opposite of a comedian who never speaks is a film-maker whose characters never shut up. A sad farewell to Joseph L. Mankiewicz, who died last Friday. He spent his life wiring great film stars for sound, plugging them in and then standing back to watch the mixture of noise, sparks and explosions. He twinned Brando and Gielgud in *Julius Caesar*. He set Olivier and Caine at each other's larynxes in *Slave of Solitude*. And in *All About Eve*, starring Bette Davis and a famous line about humpy nights, he made the most glorious impostor among movies. It pretends to be a film; it is really a stage play with a camera breathing down its neck. But who objects? No movie ever matched its glittering, sideswiping dialogue or its showman's wisdom about show business.

Schubert on the South Bank

The South Bank Schubert series, now well underway, is a lopsided one, with all the interesting events happening at the Queen Elizabeth Hall. This is where we are hearing the chamber music written for intimate evenings among the composer's circle of friends, although it cannot have been the intention of the organisers that their audiences should be the same kind of size.

This part of the series lasts until March. There are string quartets, piano sonatas and duets, some songs. Best of all, on Tuesday, was the only truly novel item - a selection of Schubert's part songs, which proved so entertaining that some in the audience may have gone away to look out more. There are plenty of them, too: three full pages listed in *Grove*, no less. Can they all be so imaginatively varied?

Many of these pieces were written for specific occasions, which will explain why Schubert tried his hand at some unusual combinations of voices and instruments. One father, wanting to celebrate the convalescence of his dance-mad daughter, commissioned the lively "Der Tanz". Several of the more ambitious songs, including "Nachgesang im Walde", a Lied that has outgrown its origins, have a quartet of horns in support.

In among these trifles, how-

ever, are at least a few minor masterpieces. It is difficult to resist Schubert's setting of the 23rd Psalm ("The Lord is my Shepherd") and especially when its wide-eyed innocence is as beautifully caught as it was here by the ladies of the BBC Singers accompanied by Imogen Cooper. Then again, the "Gesang der Geister über den Wassern", for male octet with a quintet of lower strings, looks far ahead of its time to becoming a "serious song" in the Brahms manner, mellow, pensive, richly textured.

In every time the BBC Singers were on expert form, holding in check the individual voices which wobbled away during the recent Janáček weekend. Stan Edwards conducted, a relaxing duty, one imagines, before END responsibilities claim her attention. The part songs were preceded by the Chillingirian String Quartet in the A Minor Quartet, undemonstrative and affectionate Schubert playing, which captured the Ländler spirit nicely. Unfortunately the Borodins' recording was fresh in my mind and this was not its equal.

Richard Fairman

Schubert series continues at the Queen Elizabeth Hall until 2 March (Box Office 071-928 8900)

The story goes that in previous centuries actors playing Richard III would shift their deformity from left to right from night to night. This reduced the risk of back problems such as have afflicted Simon Russell Beale who had to withdraw from the RSC's production of a slipped disc.

Beale will return to the part at Stratford next month. Meanwhile Richard has been taken over by Ciaran Hinds, an actor in an altogether different mould. Beale is small and agile, almost double-jointed. Hinds is physically large and, in this part at least, deliberately clumsy.

Visitors to the Warehouse will have recently seen Hinds playing Samuel Byck in Stephen Sondheim's *Assassins*, and *Richard III* is an appropriate play to follow, for what is it about but a series of assassinations? *Richard III* is directed by Sam Mendes and some of the techniques are becoming familiar: for instance, the use of the

At the Wigmore Hall on Monday, the baritone Wolfgang Holzmair sang two dozen Romantic songs, accompanied by Melvyn Tan at a fortepiano. Their umbrella-title was "Zwielicht" (twilight), but that placed no serious limits on the range of the programme: any song seemed to qualify so long as it mentioned the moon, the stars or both. That left room for nocturnal delights and horrors: storms and dewy calm, knights, hunters and lovers; and the whole recital gave unqualified pleasure.

In a certain style of *Lieder* singing, Holzmair is a very model. The voice has a marked personal character, and he wields it with communicative flair. He indulges no great variety of vocal colour (and his tone is thin in the lowest register), though he likes to float soft, high-lying phrases on a cultivated

separate cubicles at the back of the stage.

The production was seen at the Other Place in Stratford last summer. It is not the best that Mendes has done. The costumes, located loosely somewhere early in the 20th century, are dull. There is not enough to differentiate the characters. Too much of the play comes across as a pageant without spontaneity. Possibly one is over-influenced by the Northern Broadside production, seen at the Riverside Studios in December, and has come to expect *Richard III* to be fun. Mendes's production is a little too like a run-up to *Macbeth* without the poetry and without the depth. He treats it too much as history and not enough as melodrama.

Nevertheless, there are some excel-

lent scenes and one sub-theme in particular is played for all it is worth. This is the relationship between Richard and Buckingham which becomes central to the plot. Stephen Boxer's Buckingham is not just another tool or accessory to the crimes. He is the man who, like Lady Macbeth with her husband, urges Richard on. Later, again like Lady Macbeth, he quails and Richard knows when to drop him. In the early stages of this production, Buckingham is almost the best part in the play: Boxer is outstanding.

Then there is the set-piece towards the end when the ghosts of his victims come to visit Richard in his dream on the eve of battle. Mendes directs this as if it takes place in a subdued tavern in Cheapside. Richard sits slumped over

Theatre/Malcolm Rutherford

Richard III

Richard III is a play that is worth seeing. The production was seen at the Other Place in Stratford last summer. It is not the best that Mendes has done. The costumes, located loosely somewhere early in the 20th century, are dull. There is not enough to differentiate the characters. Too much of the play comes across as a pageant without spontaneity. Possibly one is over-influenced by the Northern Broadside production, seen at the Riverside Studios in December, and has come to expect *Richard III* to be fun. Mendes's production is a little too like a run-up to *Macbeth* without the poetry and without the depth. He treats it too much as history and not enough as melodrama.

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Recital/David Murray

Holzmair & Tan

head-voice. Nor does he underline or italicise key words, unlike some senior platform stars; and yet verbal sense is always foremost - every part of every song has something to say, whether vehement or sweetly reasonable.

For this kind of delivery, Tan's fortepiano (quite a large one) had the perfect backing. Not only because its light, brittle tone was guaranteed never to cover the voice, nor because it resembled the instruments Mendelssohn, Schubert and Schumann knew far better than any modern grand; but also because Tan allows

himself a degree of expressive licence, in impeccable period style, which is virtually unheard of among modern accompanists.

Rhythms can be delicately bent (his treatment of the repeated chords on Schumann's "Mondnacht" was marvellous), inner voices enhanced by spontaneous rubato. None of that was a distraction from the singing, since the fortepiano's scale of sound is so unthreatening; but it lent life and pretty surprises to all the music, complementing Holzmair's direct, seemingly artless manner - which by

his wife at one end of the table. At the other end is Richmond, the future Henry VII. The ghosts come in together and drink round the table to Richmond's victory. There is Mendes at his best. He is less happy in handling the women in general who, most of the time, simply record and prophesy doom. He does not catch their flickeriness in the way they can succumb to Richard.

On the small Donmar stage, Hinds suffers for his size. His hump looks like a pillow, even a kithing, strapped across his shoulders. He has sleeked back hair and an off-putting long brown coat. Yet when he plays Richard as the religious devotee, pretending to be reluctant to accept the crown, he seems a much more versatile actor. Still, playing the role as a hulking straight murderer is a perfectly legitimate interpretation. I enjoyed it.

Donmar Warehouse (071) 867 1150. The production runs until February 20, then moves to Tokyo and Rotterdam, before going home to Stratford

itself might have begun to seem a bit over-plain.

Tan's exuberant mannerisms, in the purely visual sense, were another matter. I had seen Holzmair, whose own bearing is modest and decorous, I should have been tempted to swear him; but if that kind of carrying on is what he needs to achieve such fresh results, one must not complain. Predictably, Mendelssohn's piano-parts sounded delectable on the instrument. Much less predictably, its limited capacity for sustaining sound - for Schumann, the usual pedalled richness of *la Steirer* was simply unavailable - inspired Tan to find all kinds of compensation in phrasing and highlights. He and Holzmair made a curious partnership, but a most successful and satisfying one.

INTERNATIONAL ARTS GUIDE

ATHENS

Concert Hall Tonight: Melos Quartet plays works by Haydn and Mozart.
Tomorrow: Athens State Orchestra opens Scandinavian music cycle with a programme of works by Lars-Erik Larsson, Sibelius and Nielsen.
Sat and Sun: Claudio Scimone conducts *La Traviata* in works by Verdi and Puccini.
Mon: Ralph Towner jazz improvisations.
Tues: Dimitri Galani.
Next Wed and Thurs: Leonidas Kavakos plays solo violin music by Bach (722 5511)

CLEVELAND

Severance Hall Tonight, tomorrow, Sat: Franz Weiser-Most conducts Cleveland Orchestra in works by Schubert, Bruch and Martinu, with violin soloist Kyung Wha Chung. Next week: Oliver Knussen conducts music by Knussen and Elliott Carter. Feb 25-March 6: Pierre

Boulez (231 1111)

BOLOGNA

Teatro Comunale Mon: Tatiana Grindenko directs Moscow Academy of Music in works by Talmann, Elgar and Vivaldi.
Tues (in Palazzo dei Congressi): Marcel Marceau.
Feb 20: first night of Elijah Moshinsky's production of Simon Boccanegra (529999)

COPENHAGEN

Royal Theatre Tonight: first night of new production of three Balanchine choreographies (also Sat, next Wed and Fri).
Tomorrow: Lohengrin. Sun afternoon: La nozze di Figaro.
Tues: Ariadne auf Naxos (3314 1002)

GENOA

Teatro Carlo Felice Tonight, Sat and Sun afternoon: Fabio Luisi conducts Lamberto Puggiali's production of Rigoletto with Paolo Gavanelli and Juan Carlos Morales alternating in title role. Next production: Roberto D'Avanzo, opening Feb 26 (589329)

THE HAGUE

Dantheater Tonight, tomorrow, Sat: Nederlandse Dans Theater mixed bill, including new work by Paolo Ribero. Mon: Opera Forum production of Verdi's *Stiffelio*. Feb 25, 26, 27: Jiri Kylian's Kaguyahime (360 4930) Dr Anton Philipszaal Tonight

Schoenberg Ensemble and Chamber Chorus in works by Janacek (360 9810)

LONDON

Theatre
● The Invisibles: Marjorie the famous H G Wells science fiction story comes to the stage in this production by Theatre Royal, Stratford East, complete with breathtaking magical illusions. Now in preview. Press night next Tues (Vaudeville 071-836 9987)
● Murder Is Easy: Nigel Davenport stars in Clive Exton's play based on the novel by Agatha Christie. Previews start next Wed, Press night Feb 23 (Duke of York's 071-836 5122)
● No Man's Land: Harold Pinter and Paul Eddington in Pinter's 1975 play, directed by David Leveaux (Comedy 071-867 1045)
● Hamlet: In this uncensored triumph directed by Adrian Noble, version of Shakespeare's Hamlet. Ends March 11 (Barbican 071-638 8891)
● The Last Yankee: Arthur Miller's new play about two couples meeting in a psychiatric hospital, with Peter Davison and Zoa Wanmaker (Young Vic 071-828 6363)
● Cyrano de Bergerac: Robert Lindsay is the big-nosed soldier-poet in this adaptation by John Wells, directed by Elijah Moshinsky (Haymarket 071-930 8800)
● For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals

0836 430960 Comedies 0836 430961 Thrillers 0836 430962

DANCE/OPERA

Covent Garden Tonight's Royal Ballet performance includes the world premiere of David Bintley's *Tombeaux*, alongside Fokine's *Firebird* and *Orpheus* in *The Sorcerer's Apprentice*. Sat: *Sleeping Beauty*, Thomas Hampson, Gabriel Bacquier and Jennifer Larmore head the cast in the Royal Opera's revival of *Il barbiere di Siviglia* tomorrow, next Tues and Fri. Edward Downes conducts *Stiffelio* next Mon and Thurs, with Giorgio Lamberti in title role. Feb 20: revival of Turandot with Gwyneth Jones (071-240 1068)
● Carmen with Sally Burgess (tonight, Sat, next Wed and Sat) and Jonathan Miller's production of *Rigoletto* (tomorrow, next Tues and Thurs). Feb 19: new production of Don Pasquale (071-436 3161)
● Sadler's Wells Final performances of Birmingham Royal Ballet season tonight, tomorrow and Sat, with David Bintley's 1986 story ballet *The Snow Queen* (071-278 8916) Royal Albert Hall Final performances of Bolshoy Ballet season tonight, tomorrow, Sat and Sun (071-589 8212)

CONCERTS

South Bank Centre Tonight: Klaus Tennstedt conducts Haydn's *Creation*, with Felicity Lott. Tomorrow: Alexander Lazarev conducts BBCSO and Chorus. In works by Dutilleul, Ravel and Debussy. Tomorrow in QE Hall: Monteverdi programme with

Cetharine Bott and New London Consort. Sat: Royal Choral Society performance of *Carmina Burana*. Sun afternoon in QE Hall: Emanuel Ax piano recital. Mon: Montserrat Caballé song recital. Tues and Wed: Zubin Mehta conducts LPO in works by Barlow and Bartok, with piano soloist Andras Schiff. Tues in QE Hall: Maxwell Davies conducts Maxwell Davies. Wed: London Mozart Players (071-928 8800) Barbican Tonight: Kent Nagano conducts LSO in works by Beethoven and Bartok, with piano soloist Emanuel Ax. Tomorrow: Vanya Milanova plays Bruch's Violin Concerto. Sat: Igor Oistrakh. Mon: London Choral Society presents works by Bernstein and Barber. Tues: Charles Mackerras conducts Handel, with soprano soloist Yvonne Kenny. Wed and Thurs: Ute Lemper sings *Wail*. Feb 21: Labeque Sisters. Feb 25-March 21: Britten Festival (071-636 8891)

PRAGUE

Concerts
Tonight and tomorrow at Dvorak Hall, Libor Pesek conducts Czech Philharmonic Orchestra in works by Debussy, Mahler and Bartok, with mezzo soloist Linda Finnia. Next Thurs and Fri: Václav Naumann conducts Mahler's Second Symphony (286 0111). Sun at Smetana Hall: Linha Singers (232 2501)
Opera
National Theatre has Katya Kabanova tonight, Dalibor tomorrow, Don Carlo on Sat, The Secret on Sun afternoon and

Lucia di Lammermoor on Sun evening, with no further performances till Feb 20 (205384). Estates Theatre has *La nozze di Figaro* on Feb 19 and 25 (226558). Prague State Opera has Les Contes d'Hoffmann tomorrow and Tues, Ranzani on Sat, Tosca on Sun and *Il trovatore* on Wed. A new production of *Un ballo in maschera* opens on Feb 21 (265353)
Stockholm
Royal Opera Tonight. Mon and Wed: Cav and Pag. Tomorrow: Arabella. Sat: first night of new ballet production with choreographies by Kyllan, Bejart and Alvin Alley, repeated next Tues, Thurs and Fri (248240) Berwaldhallen Tomorrow: Niklas Willen conducts Swedish Radio Symphony Orchestra in works by Webern, Aulin and Baethoven, with violin soloist Ola Rudner (784 1800)

UTRECHT

Vredenburg Sat: Gunther Schuller and Netherlands Radio Symphony Orchestra (Copland, Ives, Schuller and Garahwin). Sun: Marc Minkowski conducts Amsterdam Bach Solists. Sun evening: Hartmut Haenchen and Netherlands Philharmonic Orchestra. Mon and Tues: Bob Dylan. Next Wed: Garry Rafferty. Next Thurs: Edo de Waart conducts Mahler. Feb 20: Royal Concertgebouw Orchestra. Feb 21: Svetlanov conducts Hague Philharmonic (314544)

European Cable and Satellite Business TV

(all times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0700: 22.30

MONDAY

Super Channel: West of Times Reports 0630

THURSDAY

Sky News: Financial Times Reports 2030: 0130

FRIDAY

Super Channel: European Business Today 0700: 1200: 2230
Sky News: Financial Times Reports 0630

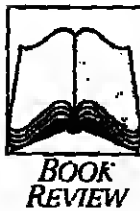
SATURDAY

Super Channel: Financial Times Reports 0830
Sky News: West of Moscow 1200: 2230

SUNDAY

Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230: 0530
Sky News: Financial Times Reports 1330: 2030

Monopoly seeks platonic relationship



How does one find individuals who can be trusted to regulate important parts of the economy? Such individuals have discretionary powers over many basic goods and services, so only the select and most enlightened can do the job.

This question - which deliberately echoes Plato's description of the qualities required for a perfect ruler - is raised by Sir Christopher Foster in his book on economic regulation. Like Plato, he is torn between acknowledging that regulation is sometimes necessary, and realising that power has a tendency to corrupt. Unlike Plato, his field of interest is not society as a whole, but those parts of the economy that gravitate towards monopoly if left to their own devices.

Sir Christopher, who has been an economics professor, civil servant and businessman and is currently advising the UK government on the privatisation of British Rail, rejects the idea that governments can pursue a policy of benign neglect once they have privatised "natural monopoly" industries such as telecommunications, gas, railways, airports and electricity. But he is exercised by the fact that any regulatory system is vulnerable to being subverted.

Such subversion - known in the jargon as regulatory capture - can occur if the regulator is turned into a tool of either the industry concerned or politicians. The book is an extended treatise on how regulatory systems have been consistently captured, and how the only antidote is a strong system of regulation independent from vested interests.

This prescription may seem as idealistic as many of Plato's. But Sir Christopher argues that, through a mixture of luck and foresight, the system introduced in Britain to accompany the privatisation of utilities is a good approximation to what is required. It is based on a series of independent regulatory bodies - Ofwat, Ofgas, Ofwat, Ofgas - headed by strong individuals with considerable discretionary powers.

PRIVATISATION, PUBLIC OWNERSHIP AND THE REGULATION OF NATURAL MONOPOLY
By C D Foster
Blackwell, £40, 430 pages

But the book is not an apology for the British status quo. Sir Christopher is concerned that regulators are still vulnerable to pressure from both politicians and industry - a topical concern given Sir James McKinnon's decision this week to step down early as director-general of gas regulator Ofgas, and the recent dithering politicians have given Mr Stephen Littlechild, director-general of electricity regulator Ofwat, for failing to protect miners' jobs.

The book is also a timely contribution to the debate on how regulatory systems should be designed, as yet more countries privatise utilities and the UK embarks on its next privatisation wave with BR and maybe the Post Office. Though not an easy read and sometimes repetitive, it is rich in insights. Particularly appealing is its broad historical sweep, which traces the development of economic regulation in Britain and the US.

The chapter on Gladstone's attempt to regulate railways in the 1840s shows how the complex economic issues manifest today have been present from the start. It also reveals how the railway barons were able to mobilise immense lobbying power - at one point, 132 MPs were railway directors - to emasculate his bill.

These failures lead Sir Christopher to defend the current British model and propose various measures to shore up the regulators' independence.

Some concern the vital but neglected subject of information. Monopolies not only dominate their industries. They also control the detailed financial information about how their industries work, putting them in a privileged position compared with regulators, potential rivals and consumers. Though regulators can ask for some information, the book argues that monopolies are adept at playing games: dragging their heels, or flooding regulators with irrelevant data.

Sir Christopher advocates stronger powers for regulators to extract information and then publish it. This is partly to help potential rivals enter a monopolised industry and partly because he favours "sunshine" regulation - exposing monopoly abuses to the glare of publicity.

Sunshine regulation was pioneered by Charles Francis Adams, a 19th century Boston politician, who waged a successful campaign against railway barons through pamphleteering and journalism. Mr Alfred Kahn, taking a similar approach, told his staff at the US Civil Aeronautics Board: "If you can't explain what you are doing to people in simple English, you are probably doing something wrong."

The new breed of British regulator has developed its own version of sunshine regulation. Sir James McKinnon, in particular, has been a master of the strongly worded statement to the press - a practice Sir Christopher applauds, since it helps regulators build up public support, which in turn should act as a bulwark against interference with their independence.

Much of Sir Christopher's argument for independent regulators is persuasive. But it ultimately rests - as did Plato's - on enlightened individuals filling the top posts. For, as Sir Christopher acknowledges, if had regulators were to be in charge, it might after all be better if they were shackled by a cage of law.

Hugo Dixon

The pessimism and self-hatred about the UK economy has gone too far. Listening to British businessmen denigrate British business performance induces a desire to see what statistics of comparative performance really show.

As I have often remarked, they show that the rapid growth of other European countries and Japan is mainly a catching-up phenomenon; and that in the 1980s relative UK performance started to improve. They suggest that it would be rash to interpret the prolonged recession as a sign of deep structural malaise.

Of course statistics can and often do lie. But it is so difficult to assess anything as diverse as a country's total business and industrial performance by personal impressions that the available numbers should be used as at least a supplement.

The most intensive scrutiny of the available evidence so far comes from a study by the distinguished economic historian, Professor Nick Crafts, in a paper for the Institute of Economic Affairs entitled *Can De-industrialisation Seriously Damage Your Wealth?* Because the paper neither echoes the gloomy talk about a collapsing industrial base, nor the once-more fashionable remedies of state aid for investment, it has been largely ignored. But it has far more to tell us than we can expect from the forthcoming report of the crystal-gazers assembled by the chancellor.

In fact, Crafts has a better chance of convincing those on the fence than most other commentators. His paper is a survey of almost all the available quantitative research, not only his own. He eschews ideology and indeed speculative argument. So far is he from being a Thatcherite that he appeared as a witness for Peter Jay in a television debate against the proposition that there had been an economic miracle in the 1980s. Nor has he previously been an IEA writer.

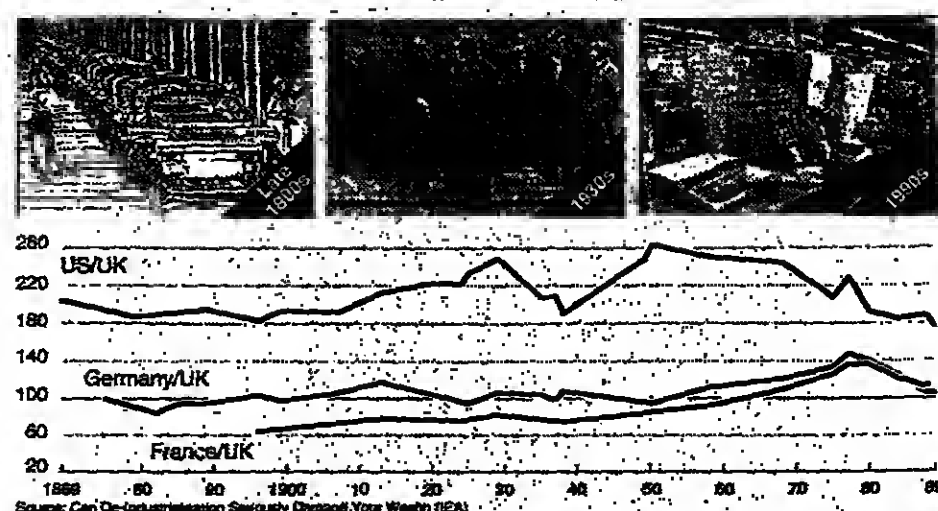
My only quarrel with Crafts is his use of the awful Harvard system in which bracketed references such as (Joachim and Heifetz, 1985) clutter up the text. They will not convince anyone who does not already believe the author's thesis and are out of place in all but highly specialised original studies. They should be replaced by plain English statements of the trend of recent scholarship; references can be given in the bibliography. In any case the substantive

ECONOMIC VIEWPOINT

Time for England to buck up

By Samuel Brittan

Manufacturing output per person employed (UK=100)



conclusion is that the gap in GDP per person employed between the UK and European competitors is much less than the gloom talk suggests. A table in *Economic Viewpoint* on November 19 suggested that there is no gap compared with Japan either.

Admittedly, UK performance has lagged more in manufacturing than in the rest of the economy. The big gap here is still with the US. American manufacturing output per head was twice as high as Britain's in 1970, when Mr Gladstone was presiding over his first effective administration. The proportional gap was, at a maximum, around 1950 and has since been declining.

The manufacturing gap with Continental Europe has never been so large as with America.

German manufacturing output per head was indeed nearly 50 per cent above the UK's in 1977. But by 1989 the differential had fallen to 5 per cent. The gap with

Japan (not shown in the chart) is similar.

Crafts also nails the myth of "de-industrialisation". Numbers employed in UK industry have fallen more than in most other countries, but mainly because the starting point was so high. By the late 1980s, the UK had much the same proportion of the labour force in industry as several other countries with a similar level of income per head - for example, France and the Netherlands. It is Germany and Japan that are the odd countries out with their high proportion employed in manufacturing.

Most interesting of all is his refutation of the supposed "balance of payments constraint on growth". He notes, without becoming bogged down in them, the arguments about the

validity of the "trade gap" estimates, or about how much of the gap is the result of inward investment, particularly by Japanese companies. Crafts is prepared to accept that although the share of British exports in world trade has more or less stabilised, the UK has an exceptionally high tendency to devote increases in the national income to imports. This can be offset by allowing the real exchange rate to depreciate by about 1½ per cent a year.

I should spell out that this need not mean a depreciation of the nominal exchange rate - that is the rate quoted in the newspapers - by this amount. If inflation by Britain's trading partners is, say, 3 per cent a year, then a lower UK inflation rate of 1½ per cent in traded goods and services will suffice. On the other hand a larger nominal depreciation will fail to do the trick if it is offset by inflation. Crafts concludes, too much to the

Europophobic view that such adjustments would not be possible in the exchange rate mechanism, mainly because he expects German inflation to be zero, which would indeed be good news to the Bundesbank.

A falling real exchange rate is not a godsend, but perhaps a necessary evil. It is normally accompanied by a deterioration in the terms of trade - that is, UK citizens effectively receive less in imports for a given level of exports. Crafts suggests that the effect is to reduce British living standards by 0.4 per cent a year. This is not a trivial offset to an underlying growth rate of 2 or 3 per cent, but hardly justifies the prevailing gloom and doom.

Crafts devotes much attention to supposedly new theories which suggest that there are large returns to investments, which are not captured by the companies that make them, and that therefore government subsidy is justified. He accepts the theoretical possibility, but cites much experience showing that real world subsidies tend to retard rather than promote growth. An example is the advanced gas-cooled reactor programme which is said to have produced nothing of any commercial value over 20 years.

Moreover, John Smith please note, "German policies to subsidise high technology sectors like aircraft, nuclear energy and telecommunications have been no more successful than British ones."

Not are these failures accidents. Politicians' incentives to win votes encourage excessive subsidisation of producer interests and this cannot be effectively monitored or deterred by the mass of voters on whom the costs fall.

Crafts is very critical of some aspects of British business culture. The vulnerability to hostile takeovers, unique in Europe, causes British companies to maintain dividends and forego investment opportunities in development and training. He also criticises the absence of long-term consensual relationships between UK workers and their companies.

But on balance he believes the reforms of the 1980s improved matters. The main future emphasis should not be on subsidy for manufacturing or high technology but the pursuit of multilateral international agreements to reduce the extent of government support for industry and to promote free trade. And if multilateral agreements are elusive, I would go for unilateral measures in this direction.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Housing policy a danger to standards

From Mr Charles A Wood.
Sir, Your editorial ("Housing policy", February 5) makes absolute sense.

One of the great problems facing housing associations has been arbitrary change in government regulation. It is happening again in effect part of the financial regime set up in 1989 is being dumped. In that regime housing association grant has been calculated from a formula which included cost, interest rates and affordability to tenants.

What is happening now is that (presumably) the Treasury is ordering a cut in grant to 55 per cent in two years, which will drive rents well beyond the reach of the low paid.

Certain MPs, particularly Sir Paul Beresford, have suggested that private property developers should be allowed to compete with housing associations for government grant. In my view this will lead to low construction standards and uncertain standards of housing management. Surely the lesson of the 1980s policy errors is that the drive to lower costs is often misconceived. Housing associations are not perfect, nor are they mad bureaucrats. It cannot be in the national interest to destroy diversity and local accountability. Charles A Wood, chairman, New Islington and Hockney Housing Association, 122 Kingsland High Street, London E8 2PR

Classroom peace threatened by dogma and bureaucracy

From Mr Peter Smith.

Sir, Your leading article, "Classroom peace" (February 9), makes eminent common-sense. Teachers, for totally professional reasons and not because they are so-called "trendy lefties" intent on a fight with the government, sincerely believe that students will suffer if the government this summer presses ahead with its publication of English tests for 14-year-olds.

My union agrees with your conclusion, that the way out is for the government to concede with good grace a year's delay in publishing the test results. Sadly Mr John Patten, the education secretary, appears unwilling to listen. Instead he appears to be looking for confrontation through a crude, old-fashioned exercise of teacher-bashing.

He would receive praise not derision from teachers, and indeed parents, if he put the interest of pupils before a dogmatic desire to discredit a very caring profession. Peter Smith, general secretary, Association of Teachers and Lecturers, 7 Northumberland Street, London WC2N 5DA

From Mr Nigel de Gruchy.

Sir, I have to challenge your assertion in your leader that the action being contemplated by the NASUWT union and perhaps other organisations is a threat to "classroom peace". Nothing could be further from the truth. While the main concern of NASUWT is the mountainous increase in workload, a successful boycott of the government's over-pre-

scriptive and distorting arrangements for national curriculum testing and assessment would have beneficial effects for the children.

The beneficial side-effect would be that teaching would be restored to the classroom. The disruptive, distorting and bureaucratic nightmare being imposed on pupils and teachers by the government's reforms would recede.

You also made the huge assumption that the government's version of testing would help to raise standards. I believe the overwhelming majority of teachers do not share your view. Nigel de Gruchy, general secretary, NASUWT, 5 King Street, Covent Garden, London WC2E 8EN

Revenue staff cuts will carry a cost

From Mr Clive Brooke.

Sir, Andrew Jack's article, "A taxman assesses years of change" (February 8), gives a somewhat misleading impression that Inland Revenue staffing has remained much the same during the 1980s. The facts are quite different.

In 1979 there were 86,000 Inland Revenue employees. That figure is now down to 68,000, with 18,000 having been shed. And the government and the department have plans - as yet unpublished - significantly to reduce staff numbers further during the 1990s by shifting taxation administration on to taxpayers and the private sector through moving towards a US-style self-assessment system.

As the Chartered Association of Certified Accountants warns, this will carry a cost - not simply in money terms, but in a changed relationship between the Revenue and the taxpayer. Your readers should know that it is rumoured that last year, for the first time, the Revenue wrote off more than £1bn of unpaid taxes. While part of that increased write-off without a doubt is attributable to the recession, much in our view is due to the govern-

ment's unwillingness to employ the number of tax collectors required. It is a strange world in which, while the government has to borrow ever more and contemplate raising taxes in cope with a soaring public sector borrowing requirement, it fails to recover a fair amount of what is due in it already for the want of a relatively small number of staff.

Clive Brooke, general secretary, Inland Revenue Staff Federation, Douglas Houghton House, 231 Vauxhall Bridge Road, London SW1V 1EH

Donor-aided research programme needs greater funding

From Dr PFA Van Look.

Sir, Your article, "Not in the best of health" (February 4), quotes me as having said that lack of money has not been a problem for research in human reproduction and contraception.

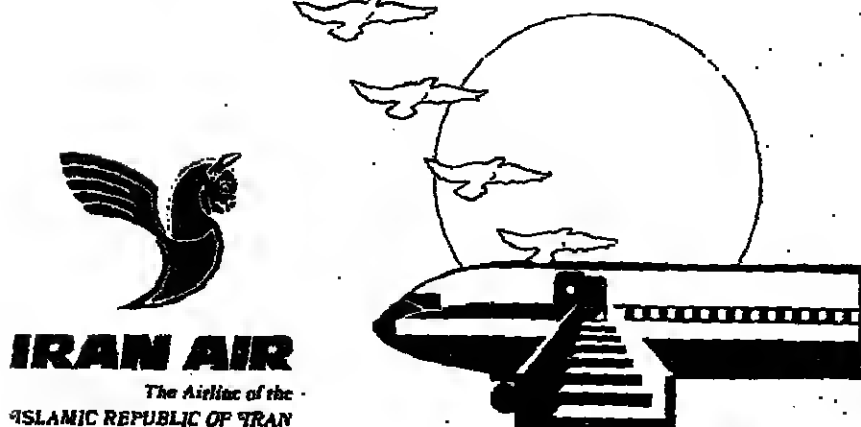
Regrettably, this statement has been taken out of context and, as a result, may give the impression that this field of research in general, and our programme in particular, is well provided for. I wish this were true.

The special programme for research, development and training in human reproduction is an international research programme. It is co-sponsored by the United Nations Development Programme, the United Nations Population Fund, the World Health Organisation and the World Bank. The programme's activities are financed, not from the WHO's regular budget, but from voluntary contributions by some 20 developing and developed country governments and organisations.

Until recently, these enlightened donors have been able to raise about 90 per cent of the programme's biennial funding targets. However, the fact that donors have provided such support should not be taken to mean that there is no funding shortage for the field in general or for our programme. It only reflects the donors' strong commitment and realistic budgeting on our part. I would point out that funding for our current 1992-93 two-

year programme is likely to reach only about 75 per cent of target because several of our European donors are forced to reduce their budgets for overseas development aid and a number of their currencies have recently been devalued. PFA Van Look, acting director, special programme of research, development and research training in human reproduction, World Health Organisation, CH-1211 Geneva 27, Switzerland

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FINANCIAL TIMES

Thursday February 11 1993

THE NIKKEI WEEKLY
Japan's leading business newspaper
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NBC makes apology to GM

Carmaker's determination is clear, writes Martin Dickson

ONE OF America's best known television presenters, Ms Jane Pauley, took to the screen on Tuesday night to deliver a grovelling apology on behalf of the NBC network to General Motors, America's biggest carmaker.

NBC's admission of wrongdoing came just a day after GM launched a suit for defamation against the network, which it said had rigged a broadcast test of a GM truck to make it burst into flames during a collision.

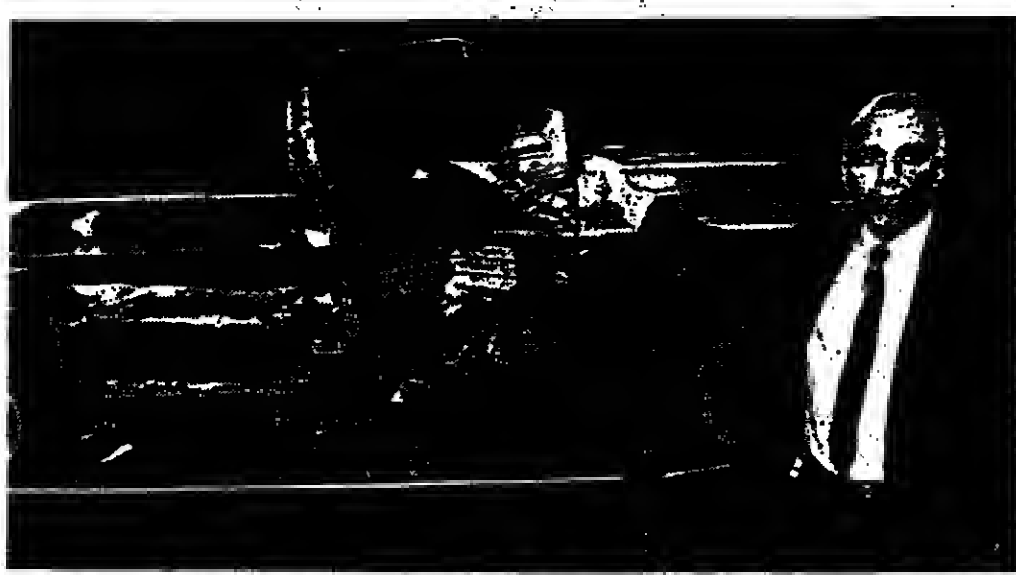
In particular, GM said NBC had fitted small incendiary devices - boosters for toy rockets - underneath the vehicle. The devices were detonated by remote control, thus ensuring that any petrol spill during the collision would catch fire.

The current affairs programme *Dateline NBC* had aired pictures of the blaze without telling its 11m viewers about the rockets. Apologising to both GM and viewers, Ms Pauley said the crash demonstration was inappropriate, the use of "incendiary devices" was a "bad idea from start to finish" and that the public should have been told about the devices. GM followed through by calling off its legal action.

GM's investigation began after a tip that the tests were rigged. The company wrote to NBC seeking its co-operation and access to the two vehicles involved, only one of which (a 1977 model) caught fire. NBC replied that the pick-ups had been destroyed.

GM, however, scoured dumps in rural Indiana around the test site, found the vehicles, and signs that the rocket devices had been taped to them. It also uncovered photographic evidence of a remote-control device being used to set off the explosions and puffs of smoke coming from beneath the vehicles just before collision.

An X-ray of the 1977 vehicle's fuel tank showed this had not been pierced - contrary to



GM executive vice-president Harry Pearce points to a Chevrolet pickup truck used in a crash test by NBC

claims in the NBC programme. And by finding the previous owner of the vehicle, GM established that it was fitted with a faulty fuel cap.

In other words, the fire set off by the explosive devices was fed by fuel escaping from the vehicle's filler tube, when the fuel cap flew off in the collision, and not from a ruptured tank.

But the clash between two of America's best-known household names will not end here.

It strikes a severe blow to the credibility of NBC, which is already struggling with a serious morale problem. Since its takeover by General Electric in 1986, NBC has dropped from first to last in the ratings of America's three networks. This latest blow comes on top of the recent loss of its late-night talk-show host, Mr David Letterman, to rival CBS.

GM is believed to want to sell NBC and the GM debacle is likely to strengthen its resolve.

The incident also underscores the dubious quality of some US

investigative television reporting, which often seems shallow in its analysis and sensational in its treatment of facts.

Media analysts suggest standards have slipped over the past two decades as networks have faced declining budgets and increased competition for viewers from cable channels.

NBC said yesterday that from now on "unsentimental demonstrations" would have no place in hard news stories at the network.

The apology also gives a boost to GM, which is struggling against a tide of bad publicity over the safety of its GM pick-up trucks built between 1973 and 1987. The fuel tanks on these pick-ups are located at the side, and outside the main frame, which critics have alleged makes them particularly vulnerable to fire when hit from the side.

Last week a jury in Atlanta, Georgia, found GM guilty of negligence in the design of the trucks and ordered it to pay over

\$106m to the parents of a teenager killed in an accident involving a GM GM is appealing.

Government regulators are investigating the safety of the vehicles, which GM insists are no more dangerous than those of its rivals. If the regulators disagree, they could order a recall of the estimated 4.7m trucks still on the road for modification, which would cost GM hundreds of millions of dollars and lay it open to more suits.

GM's legal action demonstrates forcibly that the company is prepared to fight hard to defend its pick-ups, and will not recall them unprovoked.

The apology from NBC is a big morale-booster for a company which has faced a barrage of bad publicity as it struggles to turn its North American car operations back to profit. All this was spelt out in meticulous detail by GM at a two-hour news conference on Monday, complete with a dramatic unveiling of the smashed-up test vehicles.

Major faces party rebels

Continued from Page 1

The government would have opportunities both in the House of Lords and at the Commons report stage to reverse it.

Labour and the Liberal Democrats yesterday insisted that the UK could sign the social chapter in a brief procedure without opening up the treaty to full-scale review.

Privately Labour acknowledged it had little chance of imposing the social chapter on the government, but every effort will be made to maximise the Conservatives' discomfort.

Meanwhile, government business managers are aiming to persuade Labour and Liberal Democrat pro-Europeans that they are jeopardising the whole treaty by backing the social chapter amendment. Pressure on Labour is also expected through overtures to European socialist parties, to persuade their British colleagues to back down.

German autobahn tax plan drives straight into problems

By Quentin Peel in Bonn

THE German government's plan to impose a new road tax on autobahn users yesterday ran into a barrage of abuse, mostly from motorists.

As Germans woke up to the fact that their favourite weekend pastime, alternately driving with death at unlimited speeds and sitting in autobahn traffic jams, was going to cost them up to DM400 (\$250) a year, the flak started flying.

Mr Otto Flihm, president of ADAC, the motorists' club, said his members already paid petrol taxes and it was unreasonable to make them pay twice. He suggested a special tax on lorries instead.

Mr Ekkehard Gries, transport spokesman of the Free Democrats (FDP), the crusading free marketeers in the ruling coalition,

called the plan "nothing more than money-skimming".

Even the leftwing anti-motor lobby was critical. Mr Franz Steinkühler, leader of the engineering union, IG Metall, called it "an act of monumental dim-wittedness".

Bonn gloomier on outlook for west GermanyPage 2

The Greens said making motorists pay to drive on motorways would only encourage them to use them more, in order to get value for money. According to an instant opinion poll by the Forsa research institute, 46 per cent of Germans will stop using the autobahns if the charge is introduced. Some 12 per cent said they would take to public transport, and 37 per cent would carry on regardless.

The final blow came from Mr Klaus Steffenhagen, chairman of the police trade union in North Rhine-Westphalia, where a web of autobahns covers the industrial heartland. He said his members were already overworked and underpaid, and would not enforce the new system. "We will fight this one all the way," he said, "to make sure our members don't have to turn into tax inspectors."

The extraordinary backlash took Chancellor Helmut Kohl and his colleagues by surprise. The transport ministry hastily explained that the tax was only a first step to an electronic toll system which would charge motorists by the mile.

Mr Dieter Vogel, the government spokesman, said no date for its introduction, nor any figure for the motorway charge, had been agreed.

Colin Powell may quit ahead of time

By Jurek Martin in Washington

GENERAL Colin Powell confirmed yesterday that he was thinking of retiring early as chairman of the joint chiefs of staff, but flatly denied this was because of disagreements with the Clinton administration.

He appeared on morning television shows after a report in the New York Times which quoted "friends and associates" saying he was unhappy with President Bill Clinton's determination to admit homosexuals into the military and with the extent of the defence budget cuts under consideration.

Gen Powell's second two-year term as chairman of the joint chiefs expires at the end of September.

He said yesterday that he had told Mr Dick Cheney, the previous secretary of defence, last summer that he would not seek a third term even if President George Bush were re-elected. He had spoken then of leaving the post a month or two early in order to settle his family.

But he vigorously denied suggestions that he was at odds with the new administration's policies. "I'm not in any conflict with the administration over their plans and I am not planning to retire early as a result of any conflict."

He said the military had received "good guidance" from Mr Clinton and Mr Les Aspin, the new secretary of defence, with both of whom he had "a fine relationship". He said he had every intention of testifying before Congress in support of the new and reduced defence budget.

Gen Powell was also set to stress that the military at large was not distressed by the new policies. "There's nobody over here in a blue funk, thinking the whole world has dropped on us," he said. "We shouldn't let the impression be created around the country that somehow we are fighting the president."

He reiterated his "concerns"

about admitting homosexuals into the military, but said the president's guidance on the issue was clear and he was not about to be "inordinate" by frustrating them.

Gen Powell is rated a phenomenally successful chairman of the joint chiefs, and not only because of the victory in the Gulf war. His doctrine of "maximum force" has been criticised by some who feel that it delayed US intervention in humanitarian crises such as Somalia, but his reluctance to commit forces overseas without a clearly defined mission commands much respect in Washington, where he is rated as a consummate politician.

Italian Socialist justice minister resigns

Continued from Page 1

Martelli is the first to resign. Prof. Giuliano Amato, the prime minister, last night faced the delicate task of finding a

replacement and maintaining the credibility of the government. He will assume the justice portfolio himself in the interim.

The lira weakened in after hours trading. It was quoted at

1361 against the D-Mark compared to 1326 at midday. Commenting on Mr Martelli's resignation, a rare gesture in Italian politics, Mr Achille Occhetto, the leader of the for-

mer communist Party of the Democratic Left said: "Mr Martelli's action is appreciated at a personal level, but it is a situation which involves the whole government."

World Weather		C		F		C		F	
Algeria	F 14 27	Buenos Aires	C 22 28	Frankfurt	C 13 24	Managua	F 16 27	Osaka	R 13 24
Amsterdam	C 5 17	Caracas	C 24 30	Geneva	C 14 27	Medan	F 24 30	Paris	C 10 19
Athens	F 14 27	Cairo	C 24 30	Hong Kong	S 19 28	Manila	F 24 30	Peking	C 10 19
Bahamas	S 16 24	Chengdu	C 10 19	London	C 5 11	Montevideo	C 11 22	Rangoon	C 24 30
Bangkok	C 33 41	Chicago	C 1 14	Los Angeles	S 11 20	Salt Lake City	C 11 22	Seoul	C 10 19
Barcelona	S 13 25	Columbo	C 27 33	Lyon	C 10 19	Singapore	C 24 30	Taipei	C 10 19
Berlin	S 7 43	Copenhagen	C 1 14	Madrid	F 17 25	Sydney	C 24 30	Tokyo	C 10 19
Bombay	S 24 33	Dublin	C 1 14	Moscow	C 10 19	Taipei	C 10 19	Toronto	C 10 19
Buenos Aires	C 22 28	Hankow	C 10 19	Nairobi	C 10 19	Tel Aviv	C 10 19	Yokohama	C 10 19
Calcutta	S 24 33	Hong Kong	S 19 28	San Francisco	C 10 19				
Cardiff	S 7 43	London	C 5 11	Shanghai	C 10 19				
Chennai	S 24 33	Los Angeles	S 11 20	Singapore	C 24 30				
Colombo	C 27 33	Lyon	C 10 19	Sydney	C 24 30				
Copenhagen	C 1 14	Madrid	F 17 25	Taipei	C 10 19				
Dublin	C 1 14	Moscow	C 10 19	Tel Aviv	C 10 19				
Frankfurt	C 13 24	Nairobi	C 10 19						
Geneva	C 14 27	San Francisco	C 10 19						
Hankow	C 10 19	Shanghai	C 10 19						
Hong Kong	S 19 28	Singapore	C 24 30						
London	C 5 11	Sydney	C 24 30						
Los Angeles	S 11 20	Taipei	C 10 19						
Lyon	C 10 19	Tel Aviv	C 10 19						
Madrid	F 17 25								
Moscow	C 10 19								
Nairobi	C 10 19								
San Francisco	C 10 19								
Shanghai	C 10 19								
Singapore	C 24 30								
Sydney	C 24 30								
Taipei	C 10 19								
Tel Aviv	C 10 19								
Tokyo	C 10 19								
Toronto	C 10 19								
Yokohama	C 10 19								

CU's growth policy

FT-SE Index: 2816.4 (+14.9)

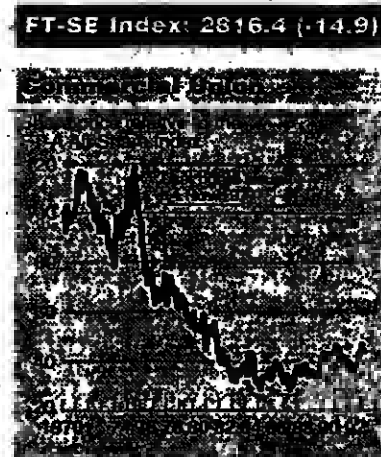
Insurance companies have a poor record of managing expansion. The market might therefore wonder whether Commercial Union can deliver a decent return on the £22m (£66m) raised yesterday. Having taken on an additional £1bn premium income last year, the company is moving at speed. Yesterday's full-year figures show the early benefits of the premium increases which have been implemented both in the UK and abroad. The danger is that capital committed to the market from here on will arrive just in time to catch the next down-swing in the insurance cycle.

CU might argue that competitive pressures will be slow to re-emerge this time around. Composite insurers have raised over £1bn either from rich parents or, in the manner of Sun Alliance's convertible bond on Tuesday, from the capital markets in the last year. But that replaces only a fraction of the capital sucked out by losses since the late 1980s. There is certainly no sign yet of UK rates starting to soften. With so many of the opposition disabled by mortgage indemnity losses, the opportunity to snatch UK market share must look too good to pass up. Although expanding life insurance sales in relatively unknown markets like Spain and Italy carries risks, it might provide valuable balance to the more violent swings in general insurance.

Judging by the 2 per cent rise in the shares yesterday, the market is willing to give the company the benefit of the doubt. But the competition is unlikely to just sit back and watch. By bringing its results forward to launch the rights issue, CU was keen to be at the front of the queue for funds. Too many more cash calls from insurers will be a signal to clear out of the sector.

Germany

Foreign exchange markets had been primed to expect so little from yesterday's German money market repurchase operation that a 7 basis point cut in the rate to 8.5 per cent actually came as something of a relief. Yet it is a sign of the Bundesbank's extraordinary reluctance to relax monetary policy that it has not allowed the money markets to adjust fully even to last week's quarter point cut in the discount rate. On the surface, that looks a singularly hard-hearted reaction to the latest government report, which gloomily forecasts a decline of up to 1 per cent in economic output this year.



So what is holding the Bundesbank back? Perhaps it is partly the conviction that the downturn in the economy is not as bad as the high-profile troubles in manufacturing suggest. Perhaps, too, it believes that only a credible anti-inflation policy will produce the low long-term interest rates needed to finance the budget deficit at reasonable cost. The bank must also be worried that lower short-term interest rates could spark a surge in the dollar, pushing up prices at home.

If the Bundesbank is clinging to these beliefs in the face of a such a sharp rise in unemployment, it is difficult to see it letting them fade entirely into oblivion as soon as the money supply numbers improve. There is little ground to believe that rate cuts will be as aggressive as in 1982-83 when the discount rate was cut by 3.5 points in the space of six months. Sooner or later the exchange markets will cease to be distracted by tiny rate cuts and strains in the ERM will reappear with a vengeance. If that leads to the break-up of the system, other European economies will be spared the worst of what promises to be a pretty nasty recession. Either way it hardly bodes well for Germany itself.

Storehouse

A 10 per cent fall in Storehouse's shares over the past two days seems a rather extreme response to its chief executive's departure. Shareholders presumably took the view that if Mr David Dworkin had decided to take the money and run they should perhaps do likewise. Their nervousness is understandable. Since Storehouse had previously been trading on a prospec-

tive multiple in the high 20s, there was little room for any trading wobble. Although there is no hint of any boardroom rancour, Mr Dworkin's departure is abrupt and leaves a considerable void. As the inspirational force behind BHS's renaissance, Mr Dworkin was as much the symbol of change as its architect. The fear is Storehouse will lose momentum unless an energetic successor is appointed quickly.

Storehouse has no financial worries after disposing of Habitat and Richards. Its two main trading companies are operationally sound. BHS has decisively turned the corner and Mothercare appears to be on the mend. Ms Ann Iverson, who followed Mr Dworkin from Bonwit Teller to BHS and now has a critical role in rejuvenating Mothercare, has signalled her determination to stick with the challenge.

Even so, Storehouse's shares seem likely to drift until the top slot is filled. Worryingly, there are no obvious candidates in sight. The longer the wait, the more jittery the market will become.

Lloyds Abbey

Yesterday's full-year results will do little to encourage Lloyds Abbey Life's biggest shareholder to increase its stake. Selling life assurance products to Lloyds Bank customers has proved far from recession-proof. New business figures are generally better than achieved by competitors without the benefit of a captive audience. The long-term argument in favour of bancassurance remains intact. But the slower rate of growth suggests bank customers are not all lining up to buy insurance. Lloyds Abbey faces a hard slog, reaching customers in the numbers talked about when the alliance was first hatched.

With its exposure to estate agencies and mortgage lending, Lloyds Abbey's earnings might be expected to recover smartly once the housing market turns. Economic revival will equally help sales of profitable regular premium life products. But that may not mean sharply higher dividends. This year's unchanged pay-out is only just covered by distributable profit. Higher sales of life assurance will have to be backed by additional capital. Some will have to come from retained earnings. While interest rates are low, a 5.2 per cent yield will doubtless provide some support for the shares. But the market is likely to remain sceptical until the growth prospects are clear.

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INSIDE

Schneider sells off components arm

Schneider, the French engineering and construction group, is finalising a deal to sell Jeurmont-Schneider, its electronic components arm, to Framatome, the state-owned supplier of nuclear reactors. The disposal is expected to be a complex deal, with Framatome retaining the company's nuclear activities but selling non-nuclear interests. Page 14

Insurers hit the doldrums

Problems at French insurers could scarcely have come at a worse time. The insurance industry has hit the doldrums just as the three state-controlled companies - UAP, AGF and GAN - are preparing to be privatised. Page 16

UK season opens amid gloom

As the UK reporting season opens, investors expect disappointing news. Profits and dividends are expected to show no growth or a slight aggregate fall. New accounting rules will make results more volatile but easier to analyse. The Financial Times is modifying its reporting of UK results to make the most of the new information. Page 19

Chinese seek Hong Kong listings

The flood of CIS aluminium exports that has threatened the survival of some European smelters is also causing grave concern in the CIS, where some industries, including fish canneries, have run short of the metal. Page 22

Aluminium floods into the west

The flood of CIS aluminium exports that has threatened the survival of some European smelters is also causing grave concern in the CIS, where some industries, including fish canneries, have run short of the metal. Page 22

Pharmaceutical stocks wobble

Pharmaceutical stocks, a safe haven for investors, have started to wobble. Most British and American drug stocks have been caught as investors switch out of defensive companies. The environment for healthcare stocks is changing for the worse. Back Page

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Chief price changes yesterday

FRANKFURT (DM)					
Riese	615	+ 24	Riese	972	+ 18
AGF	914.5	+ 14.5	Schneider	585	+ 11
Damen-Benz	614	+ 6	Sellm	498	+ 14.1
Damen-Benz	117.5	+ 4			
Deutsche Bank	480	+ 9	Geo Gemit S	177.3	- 72
Deutsche Bank	513	- 7	Soco	425	- 15
NEW YORK (\$)					
Riese	17.5	+ 2	AGF	1610	- 40
AGF	37	+ 2	TOKYO (Yen)		
AGF	114.5	+ 4	Gillette	265	+ 25
AGF	28.4	+ 1	Lombard	235	+ 49
AGF	52	+ 1	Lombard	250	+ 38
AGF	28.4	+ 1	Lombard	254	+ 24
AGF	21.2	+ 3	Lombard	230	+ 22
PARIS (FFr)					
AGF	21.2	+ 3	Schneider	2650	- 400
AGF	21.2	+ 3	Schneider	2650	- 400

London (Pence)

Riese	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3
AGF	15.2	+ 1.4	AGF	35	- 3

Accounting change takes Ford loss to \$7.4bn

By Martin Dickson in New York

FORD Motor, the US carmaker, yesterday reported a \$7.4bn loss for 1992, due largely to a \$6.5bn non-cash charge for a change to accounting principles but also a \$419m fourth-quarter charge for restructuring its European operations.

The accounting change involves re-evaluating health benefits and affects all US companies. Ford's charge is one of the highest reported, but it will be dwarfed

today by a \$20.8bn charge due to be announced by General Motors.

For the fourth quarter, Ford announced a loss of \$840m, or \$1.85 a share, after taking the \$419m charge for restructuring in Europe, where it has been hit hard by recession and is cutting jobs extensively. The loss compared with net income of \$478m, or \$1.08 a share last time, and was struck on sales of \$25.4bn, up from \$21.96bn.

The group's full-year loss of \$7.4bn, or \$15.61 a share, compared with a loss of

\$2.25bn, or \$4.79 a share in 1991. Excluding accounting changes, it lost \$502m in 1992.

Ford's North American vehicle operations have been helped by a gradual recovery in the market and Ford has been gaining market share.

It held 21.8 per cent of the car market in 1992, up 1.7 points from 1991, and its Taurus model overtook the Honda Accord to become the best-selling US car, helped by some hefty year-end financial incentives to buyers.

Ford's US vehicle operations lost \$405m in 1992, excluding accounting charges, an improvement of \$1.8bn over 1991. However, outside the US losses rose from \$970m to \$1.1bn.

Its financial services company, Ford Credit, had record earnings of \$1.04bn, or \$892m, excluding accounting changes, up from \$749m in 1991.

Mr Harold Ford, the chairman, said the company was cautiously optimistic about 1993. It expected the US vehicle market to rise to around 13.5m cars and

trucks from 13.1m in 1992, while Europe would drop to around 13.7m, against 14.9m.

He said many of the problems of 1992 were continuing this year, including weak economies, intense competition and excess capacity.

However, the company's cost reduction efforts and recent new products, coupled with gradual economic recovery in the US, "provide the basis for continued improvement in operating results". Ford of Europe results, Page 16

Steven Jobs to concentrate on computer software development Canon set to buy Next hardware

By Michiya Nakamoto in Tokyo and Louise Kehoe in San Francisco

CANON, the Japanese office equipment manufacturer, is set to acquire the computer hardware business of Next Computer, the innovative US computer company.

It already holds a 16.7 per cent stake in Next, and was the company's first outside investor.

Formed in 1985 by Mr Steven Jobs, the computer entrepreneur who co-founded Apple Computer, Next is abandoning computer manufacturing to concentrate on selling its highly-regarded computer software.

The move represents a disappointment for Mr Jobs, who had hoped to repeat his achievements at Apple by creating another industry-leading computer company.

It also reflects Canon's growing involvement in the computer business, where its presence so far has been restricted mainly to the manufacture of peripherals, particularly laser printers.

Mr Jobs owns 48 per cent of Next while Mr Ross Perot, the Texas billionaire and former presidential candidate, owns 11 per cent.

It has, however, sold only about 50,000 computers, in spite of having software that is widely praised by computer experts.

In May, Next will introduce a new version of its Nextstep com-



Steven Jobs: confident that he can overcome Microsoft's near monopoly of PC operating systems

puter operating system for personal computers. This will place Next in competition with Microsoft, which dominates the PC operating system.

However, Mr Jobs is confident that it can overcome Microsoft's near monopoly. "We believe that we are two to three years ahead of Microsoft and Taligent," he said. Taligent is a joint venture between Apple Computer and International Business Machines that is developing a new PC operating system.

Next will close its Fremont, California, factory by the end of

the month, he said. The company will cut its workforce from 530 to about 200.

"Canon has not decided what it wants to do, but there should be a decision by the end of the month," said Mr Jobs.

Just last month, Mr Jobs announced that Next had achieved its first quarterly operating profit in the fourth quarter of 1992. He said that the company's revenues for 1992 were \$127m, up 10 per cent from 1991. Next had been planning a public share offering.

If an agreement is finalised,

Canon would also gain exclusive sales rights to Next's software products in the Pacific and Asia as well as the right to use software that would enable Canon copiers and printers to run on Next software.

Canon will continue to supply Next hardware and maintenance service in the Asia and Pacific areas in which it already does so. Motorola supports Next customers in the US.

A Canon representative said yesterday that "Canon has a history of diversification and it is conceivable that in future it will build a computer business" based on the Next hardware operations it is considering acquiring.

From its origins as a camera manufacturer in 1937, Canon has successfully diversified into a manufacturer of mainly office equipment, which now account for 80 per cent of its turnover. Cameras comprise only 15 per cent of turnover while others, such as semiconductor equipment and medical equipment, make up the remaining 5 per cent. Most recently it joined forces with IBM to introduce a compact Notebook PC that comes with a bubble-jet printer.

Lonrho makes Bock joint chief executive with Tiny Rowland

By Roland Rudd in London

MR DIETER BOCK, the German financier with an 18.5 per cent stake in Lonrho, the international trading conglomerate, was yesterday appointed as joint chief executive and managing director with Mr Tiny Rowland.

Mr Rowland, who has effectively run the company for the past 31 years, said Mr Bock would have no separate duties or responsibilities.

However, Mr Rowland said Mr Bock's appointment would allow him to spend more time in Africa while Mr Bock said his expertise would enable him to deal with "questions relating to [Lonrho's] financing".

Mr Paul Spicer, Lonrho's deputy chairman, said: "It should not be misunderstood, there is no division. There is no split, no potential for conflict. With a telephone call both will know what the other is doing."

While the joint chief executives stressed there would be no significant changes in the running of the company, Mr Bock revealed that the group had changed its mind over the appointment of non-executive directors.

After discussing the implications of the Cadbury Report, which recommends that companies should appoint independent non-executive directors, Mr Bock said Lonrho's board was now looking for "reputable non-executive directors".

In the past the group said it did not believe that the appointment of non-executive directors was necessary.

Although Mr Rowland named Mr Bock as his successor, he said he intended to continue as joint chief executive for at least three years.

Mr Bock said the group's main aim was to continue to reduce borrowings - which recently rose to \$947m (\$1.36bn) -



Dieter Bock: wants 'reputable non-executive directors'

through minor disposals. With the exception of the Asbanti Goldfields Corporation in Ghana, Lonrho's investments in companies it does not control are up for sale. For example, Mr Rowland said Lonrho may dispose of its minority stakes in Anglo-American's Leenwhosch and Eastern Gold mines in South Africa.

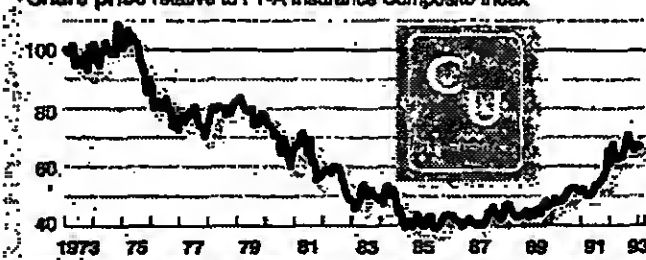
Lonrho's core businesses, which Mr Rowland identified as mining, hotels, agriculture and trading, would not be sold. However, he explained that Lonrho did not have to own 100 per cent of a core business. "The minimum holding level is 51 per cent."

Mr Rowland said he would consider allowing General South Africa's biggest mining house, to increase its 27 per cent stake in Lonrho's three platinum mines, if it should wish to do so.

Lonrho recently had talks with General about a possible merger but Mr Rowland decided that it was not in the group's interests to be South African-controlled.

Commercial Union recovers

Share price relative to FT-100 Insurance Composite Index



Commercial Union, the UK insurance company, yesterday signalled its intention to pursue further expansion to the UK and international general and life markets by launching a £248m (£614.4m) rights issue.

The group also announced a pre-tax profit of £31.4m, compared with a loss of £38.8m, after bringing forward the announcement of its 1992 results by three weeks. CU's results should comfortably exceed its rivals.

Five years ago anyone suggesting that Commercial Union might become the strongest and most profitable UK insurance company would have provoked very smiles.

In the mid-1980s CU was one of the first UK insurance companies ever to report losses and for much of the 1990s was regarded as the "sick man" of the UK insurance sector.

Yet after yesterday's rights issue Commercial Union has emerged as the strongest and best capitalised of the UK's large insurance companies. Capital and reserves of £1.9bn exceed those of its rivals, including the erstwhile leader Sun Alliance.

"It is a remarkable turnaround in seven or eight years," says Mr Steven Bird, analyst with Smith New Court, the securities house. Mr Tony Wyand, executive director, who orchestrated yesterday's well-timed rights issue, said: "We've managed to rehabilitate the company in the eyes of its shareholders."

CU declared a final dividend of 15.1p per share, giving a full dividend for the year of 24.35p, a rise of 3 per cent.

Shareholders were offered one new share for every five ordinary shares at a price of 490p per share. CU's shares, which had lost ground recently, were boosted by the better than expected results, rising 12p to close at 610p.

CU's success reflects the difficulties of its rivals, whose management has been ill-prepared to face one of the deepest downturns in the history of the UK insurance industry. Claims from mortgage indemnity policies will exceed £2bn.

In 1986 Mr Peter Ward, who directs UK business, opted to cut exposure to mortgage indemnity

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CORBY WORKS

INTERNATIONAL COMPANIES AND FINANCE

Schneider to sell components arm

By Alice Rawsthorn in Paris

SCHNEIDER, the French electrical engineering and construction group, is in negotiations to sell Jeumont-Schneider, its electronic components subsidiary, to Framatome, the state-owned supplier of nuclear reactors.

The two companies yesterday confirmed that they were in discussions and were finalising the terms of the sale.

The Jeumont disposal is expected to be a complex deal, with Framatome retaining the company's nuclear activities but selling its non-nuclear interests to Alcatel Alsthom,

the state-controlled electronics group.

Jeumont produces components for use in the nuclear industry and electrical engineering. It employs 2,000 and had sales of FF1.6bn (\$290m) in 1992. The group has been considerably scaled down since the mid-1980s, notably by the sale of its telephone interests to Bosch of Germany.

The Jeumont sale would include the disposal of its 47.5 per cent stake in Jeumont-Schneider Automation, which specialises in the motor sector. This company, with a workforce of 270, had turnover of FF230m last year.

The deal would form part of the ongoing divestment programme at Schneider, which is trying to reduce the debt amassed by the acquisition of Square D, the US construction company. Schneider raised FF1bn from disposals last year, leaving the present level of net debt at around FF1.8bn.

However, debt-financing costs contributed to a sharp fall in Schneider's interim net profits to FF1.93m in the first half of 1992, from FF302m in the same period of 1991.

The group has also been affected by the cost of integrating Square D and the problems of Spie Batignolles, its French

construction company. CS First Boston forecasts a more moderate fall in Schneider's net profits for the full 1992 year, to FF272m from FF275m in 1991.

Framatome has been trying to adjust to the decline in world demand for nuclear reactors. The decision to sell the non-nuclear part of Jeumont to Alcatel, which owns 44 per cent of Framatome, comes as a number of state-owned companies are reshuffling their interests in the run-up to the March elections, after which the next French government is expected to accelerate the privatisation programme.

Thomson expands broadcasting interests

By Alice Rawsthorn

THOMSON-CSF, France's state-controlled defence electronics group, is expanding its broadcasting interests by buying the transmitter, antenna and electron tube businesses owned by ABB Asea Brown Boveri, the Swiss-based power engineering concern.

The deal, for an undisclosed sum, will involve the transfer of companies with combined sales of FF500m (\$93.3m) in 1991.

They include an electron-tube production plant in Switzerland and a joint venture in Poland, as well as an antenna plant in Germany and a broadcast transmitter unit in Switzerland.

Thomson, which was last year clouded by controversy over its attempt to expand its defence interests by taking over the missile division of the ITV group in the US, has for some time been keen to augment its broadcast activities, where its services both private and public sector television companies.

The French group already owns electron-tube factories and plants for broadcast transmitters in France and the US.

Thomson said yesterday that the acquisition of the ABB businesses would enable the group to "maintain critical mass and to continue to increase sales through external growth in a contracting market".

The ABB deal is the latest in a number of acquisitions for Thomson-CSF.

The French group has bought a series of businesses over the past three years in order to consolidate its position in specific sectors and to sustain sales growth.

Thomson-CSF last year made sales of \$6.2bn.

For ABB, the disposal is part of an ongoing process of shedding peripheral interests.

The Zurich-based group mustered turnover of \$2.8bn last year.

It specialises in sectors such as electro-technology, environmental technology and transport systems.

Investor group plans to take stake in Banesto

By Tom Burns and Peter Bruck in Madrid

A GROUP of investors led by JP Morgan, the US investment bank, is to take a stake of between 7 per cent and 10 per cent in Banesto, Spain's third largest bank, as part of a Ptas55bn (\$452m) rights issue being prepared by the Spanish bank.

JP Morgan's recently closed \$1bn Corsair banking fund, and Mr Mario Conde, Banesto's chairman, will form the core of the investor group.

The US bank has guaranteed that its group will invest \$200m in the rights issue.

Mr Conde's inclusion will raise his personal stake in Banesto from 2 per cent to 4.5 per cent.

If the rights issue, one of the largest in Spain, is fully taken up and if Banesto's efforts to sell its affiliate, Banco de Madrid, to Deutsche Bank of Germany, are successful, Banesto will have rid itself of a cloud under which it has been forced to operate for nearly three years.

The bank would fall comfortably within the Bank of Spain's strict guidelines on the relationship between its capital and its exposure to industry.

"This is a lifeline for the bank," said Mr Juan Bastos,

chief executive of the Madrid securities house, Gestamar.

The issue is viewed by some as a bid by Banesto to gain manoeuvrability at a time when it is reducing its profits and seeking to dispose of its industrial assets in a depressed market.

Under the terms of the three-for-one rights issue, JP Morgan will place shares with the investor group at Ptas1900 per share.

In all, 35.1m new shares are being offered at a premium of Ptas800 per share.

In addition to the increased capital, Banesto would gain an



Mario Conde: to raise personal stake in Banesto to 4.5%

important psychological lift through JP Morgan's endorsement of its business potential.

The investor group is understood to have committed itself to stay with the bank for at least five years, and JP Morgan is likely to be given a seat on the Banesto board.

JP Morgan issued a highly positive report on the Spanish bank before Christmas.

"Morgan is putting its money where its mouth is," one Madrid analyst commented yesterday.

Banesto reported a 27 per cent fall in its net profits during 1992 to Ptas5.6bn due to a sharp drop in extraordinary income from disposals.

It was nevertheless able to report a 17 per cent increase in the gross operating profit of its banking business, which totalled Ptas19.6bn.

Having sold its industrial assets in oil refining and cement in the past two years, Banesto is now seeking buyers for its holdings in Acerinox, the major domestic stainless steel producer, and in Union Carburos, its industrial gases group.

This strategy, which seeks a more reduced and flexible industrial portfolio, complements Banesto's attempts to improve income from its core financial sector.

Gardini and Vender form foods group

MR RAUL GARDINI, the former Ferruzzi chief and Mr Jody Vender, majority owner of Sopaf, the merchant bank, have joined forces to create Italy's third-largest frozen-foods group, writes Haig Simonian in Milan.

The new group, known as Argel, will comprise Finagel, the frozen-foods concern controlled by Sopaf's Invest subsidiary, and Sias, a frozen-foods company owned indirectly by the Grigolini family.

It is also expected to work closely with Vital-Sogevlandes, a French meat company owned by Mr Gardini.

The new company could soon expand further with the possible purchase of assets from the state-owned SME foods and retailing concern.

In a complex deal, Invest and Garma, the fast-growing Italian food concern controlled by Mr Gardini and Mr Giulio Malgara, will take 35 per cent each in the new group. Sias will have a 20 per cent stake, while the remaining 10 per cent will be sold to unspecified institutional investors. Garma will have management control.

With sales of about L300bn (\$197m), Argel will have around 15 per cent of the Italian frozen-foods market, on a par with the foods business of SME's Italgel subsidiary.

Argel has made no secret of its interest in bidding for Italgel's food interests as part of the SME privatisation.

Upbeat forecast from Parmalat sees 1993 sales ahead by 50%

By Haig Simonian in Milan

PARMALAT, the Italian dairy foods group, expects sales to surge by about 50 per cent to L2,400bn (\$1.6bn) this year on the back of buoyant internal growth and continuing acquisitions.

The company, which has made a strong recovery since its recapitalisation in 1990, said that turnover in 1992 rose by 21.5 per cent to L1,613bn.

Mr Domenico Barili, director general, said operating earnings had risen by 17.3 per cent to L203bn.

In 1991, Parmalat Finanziaria, the listed holding company, reported net earnings of L42bn. Full 1992 results will not be released until March. However, on the basis of yesterday's figures, analysts fore-

cast net group profits in the range of L50bn-55bn.

Mr Barili said that operating profits should rise by a further 22 per cent to L248bn this year.

Parmalat, around 27 per cent of whose capital is held abroad, expects most of its growth to come outside Italy.

The group is expanding fast in eastern Europe, South America and the US.

In 1992, sales in Europe, excluding Italy, jumped 164 per cent to L66bn.

In south America - principally Brazil and Argentina - sales climbed by 28.7 per cent to L260bn, while US turnover reached L13bn.

All three areas are expected to surge this year, with growth rates of 263 per cent in Europe and 111 per cent in south America.

Sales in the US are forecast to climb almost 15-fold to L189bn.

The forecasts are based on acquisitions that have already been made - such as that of the Fejertel dairy group in Hungary - and two other transactions which have not yet been announced, but are virtually sealed, said Italian turnover is forecast to rise by 13 per cent.

Mr Barili stressed that the acquisition-led expansion would not involve a big rise in Parmalat's net debts, which stood at L465bn at the end of December 1992.

Interest charges in 1993 were forecast to edge up to L70bn from L71bn in 1992, while interest costs as a proportion of sales would fall to 3.3 per cent to 4.4 per cent in 1992.

Snecma says it made loss last year

SNECMA, France's state-controlled aero-engine maker, yesterday said it had made a loss for 1992 but did not disclose the size, writes Alice Rawsthorn in Paris.

The company blamed the gloomy economic environment and delays in orders for civil and military aircraft. The group was also in the red in 1991, when it fell into a net loss of FF67.8m (\$12.6m) from net profits of FF208m in 1990.

Its performance has since deteriorated with a fall in sales

to around FF233bn in 1992, against FF233.9bn in 1991.

Snecma also suffered a FF30bn decline in the value of new orders from the previous year's total of FF77.3bn.

The group has already announced plans to step up its cost-cutting programme. It proposes making additional annual savings of FF500m by reducing stocks and accelerating its research cycle.

These cuts will involve the loss of 650 jobs and 20 days of temporary lay-offs this year.

● Michelin, the world's largest tyre manufacturer, reported a 1.3 per cent decline in turnover to FF66.8bn in 1992, from FF66bn in 1991. The group said it had been affected by sluggish demand and exchange rate changes.

Michelin, which returned to the black with net profits of FF820m in the first half of 1992, against a net loss of FF1.06bn in the same period of 1991, is already implementing a long-term rationalisation programme.

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INVESTORS CHRONICLE

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INTERNATIONAL COMPANIES AND FINANCE

Baby Bell agrees to buy two cable TV companies

By Martin Dickson
in New York

SOUTHWESTERN Bell, one of the seven Baby Bell regional telephone companies in the US, has agreed to buy two cable television systems in suburban Washington DC for \$650m - a move which marks a dramatic escalation of the battle between telephone and cable industries to bring communications into the 21st century American home.

Southwestern Bell is the first US telephone company to try to buy control of a US cable television company and its move could set off a scramble by other telecommunications companies.

However, the purchase requires regulatory approval from the Justice Department, the Federal Communications Commission and Judge Harold Greene, who has overseen the Baby Bells since they were split off from American Telephone & Telegraph in a 1984 anti-trust court settlement. Clearing all these fences could take Southwestern Bell a very long time.

The seller of the two systems is Hauser Communications, a privately owned company.

Southwestern Bell provides local telephone services in Texas and other southwestern states. It is barred from owning a cable company there, under

1984 cable legislation which bars any local telephone company from owning a cable business in its core operating area.

Southwestern Bell already owns a cellular telephone franchise in the Washington area and could eventually try to link this into its cable system. This would mean a competitive challenge to the Baby Bell which provides normal, wired telephone services in this area, Bell Atlantic.

Southwestern Bell already has experience in the cable industry, since it owns and operates a system in Britain and has interests in others in Israel.

The US cable and telecommunications industries are jostling for position as America prepares for an explosion of information delivered to the home, ranging from movies-on-demand to video telephone calls.

Just a few weeks ago Time Warner, one of the largest cable companies, announced plans for the most ambitious multi-media home service yet launched on a commercial basis, combining both entertainment and telephony, which it aims to introduce in Florida. Mr Edward Whitacre, chairman of Southwestern Bell, said the Washington cable purchase was "in the right industry, in the right place at the right time".

A&P target of NY state pension fund campaign

By Martin Dickson

THE Great Atlantic & Pacific Tea Company, the US supermarket group majority owned by Germany's Tengelmann retailing group, is to be the first company targeted by New York state's large pension fund in a campaign against poorly performing management.

New York's move represents a significant advance by the US movement for better corporate governance, which seeks to give shareholders a greater say in the affairs of companies with weak results.

Until now, action by institutional investors against such companies has been led most vociferously by the \$71bn California Public Employees Retirement System. New York is becoming more publicly aggressive as it has developed a computer-based system to track the financial performance of top US companies.

Mr Edward Regan, Comptroller of New York state, said the \$66bn pension fund would vote against the election of A&P's state of directors at its annual meeting in July.

It would also seek the support of other shareholders for an amendment to the company's by-laws which would force it to include in its annual proxy or shareholder voting material statements from large shareholders wishing to comment on the group's performance. The fund owns 280,000 of A&P's 28.2m shares outstanding.

Tengelmann's 53 per cent ownership of the chain means New York's campaign cannot succeed without the support of the German company, and this seems unlikely. But the state's stance, if followed by other institutions, could send a powerful message of shareholder dissatisfaction.

Chrysler raises \$2bn from stock issue

By Karen Zagor

CHRYSLER, the US vehicle manufacturer, has raised more than \$2bn after selling 52m shares at \$38.4 each in the second biggest public common stock issue by a US company.

The company exercised a "green shoe" option - or stabilisation provision - to buy an additional 6m shares, swelling the offer size by 30 per cent from the original plan of 40m shares.

On Wall Street, shares in Chrysler firmed 3 1/2 to \$39.4 at midday yesterday.

The company has indicated it will use at least half the funds raised to cut its \$3.9bn underfunded pension obligations.

Fourth-quarter advance at EDS

By Karen Zagor in New York

ELECTRONIC Data Systems (EDS), the computer services subsidiary of General Motors, yesterday unveiled a 14 per cent rise in fourth-quarter net income to \$178m from \$155.5m a year earlier.

Earnings per share were 12 per cent higher at 37 cents against 33 cents, while revenues were up 2 per cent at \$2.14bn from \$2.09bn.

On Wall Street, shares in General Motors' class E stock, whose value is tied to EDS's performance, rose 3 1/2 to \$34 1/2 at mid-session. The stock climbed above \$35 earlier this

year on rumours that British Telecom might be discussing buying a stake in the business.

The results met analysts' expectations.

For the whole of 1992, EDS earned \$635.5m, or \$1.33 a share. A year earlier, net income stood at \$547.5m, or \$1.14, including a charge of \$15.5m, or 3 cents for accounting changes. Revenues reached a record \$8.22bn from \$7.1bn in 1991.

EDS, which was founded by Mr Ross Perot and acquired by General Motors in 1984, is relying less on business from its GM parent. EDS said revenues from non-GM sources grew to

more than 59 per cent of its total revenues.

General Motors Acceptance Corporation (GMAC), General Motors' large financial services arm, posted net income of \$938.1m for 1992, including charges on the adoption of new accounting standard SFAS Number 106.

In 1991, the company reported net income of \$1.37bn, including \$331.5m gains from the adoption of SFAS Number 109 and after-tax charges of \$170.9m for a special wholesale loss provision.

Stripping out one-time items, Mr Robert O'Connell, GMAC's chairman, said 1992 net income

stood at \$1.34bn against \$1.21bn in 1991 on a comparable basis.

Importantly, GMAC's 1992 performance was achieved in a year of challenging events and significant change for the GMAC worldwide organisation," he said.

Income from GMAC's financing operations was \$1.03bn, down slightly from the \$1.04bn earned a year earlier. During the year GMAC financed or leased 33 per cent of new GM vehicles sold in the US against 35 per cent in 1991. The number of new cars and trucks financed or leased by GMAC slipped to 1.8m from 1.7m last year in the US.

Air Canada forecasts deficit of C\$200m

By Robert Gibbens
in Montreal

GLOBAL recession, domestic overcapacity and heavy Canadian fuel taxes will bring a C\$200m (US\$156.7m) loss for Air Canada this year, Mr Hollis Harris, chairman, said yesterday.

The country's biggest airline, locked in a competitive struggle with rival Canadian Airlines and the small National, will also reveal next week that 1992 will show a record deficit. In the first nine months a net loss of C\$307m was incurred after special charges, following losses of C\$218m for 1991.

Mr Harris told the Canadian Commons transportation committee his airline would break even on an operating basis in 1993 but this was before financial and special charges. It should return to overall profitability in 1994 with the full impact of manpower cuts and cost reduction programmes.

He said Air Canada had sufficient cash to complete its bid for 25 per cent of Continental Airlines of the US and he was confident the alliance would be approved by the US authorities. He said forming one Canadian carrier was the solution to the Canadian airline industry's woes and he held out the possibility again of a merger with PWA, parent of Canadian Airlines.

Molson held back by weak beer market

By Bernard Simon in Toronto

MOLSON Companies, the diversified Canadian brewer, suffered a 24 per cent setback in its latest quarterly earnings, largely as a result of a weak beer market, retaliatory duties on beer imposed by the US and the costs of converting to a new beer bottle.

Net earnings fell to C\$25.3m (US\$20m), or 42 cents a share, in the three months to December 31, the third quarter of the company's fiscal year, from C\$33.4m, or 59 cents a share, a year earlier.

Revenues rose to C\$769.8m from C\$723.2m. The negative factors were partially offset by C\$4.9m in fees received from the North American ice hockey league, one of whose teams is owned by Molson.

Nine-month earnings fell to C\$100.1m, or C\$1.63 a share, from C\$110.4m, or C\$1.97 a share. The company said yesterday that the decline in earnings for the year as a whole was likely to be 10 to 12 per cent.

Molson, whose non-brewing interests include cleaning services and a retail hardware chain in Canada, said that its businesses are still being hurt by the recession.

Operating earnings of Molson Breweries, a joint venture with Foster's Brewing of Australia, fell to C\$135.3m from C\$143m.

Total beer sales in Canada dipped by 3.6 per cent in the nine months to last December and Molson's market share slipped to 50.2 per cent from 51.9 per cent a year earlier.

Its share rallied to 50.4 per cent in the latest quarter. Molson said its alliance with Miller Brewing of the US, announced last month, is expected to be finalised in early April.

Under the deal, Miller will acquire 10 per cent of Molson Breweries from the existing partners.

It will also gain marketing and distribution rights for Molson and Foster's brands in the US.

Molson expects to receive about C\$180m for its part of the sale.

Chrysler raises \$2bn from stock issue

By Karen Zagor

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U.S. \$1,661,800,000



Electricité de France

Fixed Spread Eurobond Repurchase

Electricité de France (E.D.F.), Service national ("E.D.F.") has proposed to repurchase any and all of the outstanding Bonds and Notes listed below (the "Bonds") and for this purpose has appointed Goldman Sachs International Limited (and its affiliates) as its exclusive Dealer Manager. On behalf of E.D.F., the Dealer Manager will enter into repurchase transactions from time to time subject to and in accordance with the terms of the Offer Document. The repurchases will be effected at a price to be determined from time to time. The price at any time for the outstanding Bonds of each issue will be the price resulting in a yield for the relevant Bonds equal to the sum of (i) the yield to maturity of the benchmark U.S. Treasury Note designated below in relation to such Bonds, as calculated by Goldman Sachs International Limited in accordance with standard market practice on the basis of the bid price for such benchmark U.S. Treasury Note at the time the holder agrees to tender such Bonds, as displayed on the Cantor Fitzgerald Quotation Service for U.S. Government Securities (Telerate - page 500) and (ii) the fixed spread for such Bonds designated below (such price being rounded to the nearest cent per U.S. \$1,000 principal amount of Bonds). In addition, E.D.F. will pay accrued interest from, and including, the date of the last regular payment of annual interest to, but excluding, the settlement date for the repurchase of the relevant Bonds, which shall be the tenth London business day following the date on which the relevant Bondholder tenders such Bonds. The terms of the repurchase are more fully described in the Offer Document.

Issue		Issuer	Amount Outstanding	Benchmark U.S. Treasury Note	Fixed Spread (Basis Points)
9½%	Guaranteed Bonds due September 29, 1995	E.D.F.	U.S. \$237,000,000	5½% Note due 11/15/95	+10
10%	Series B Bonds due December 20, 1995	E.D.F.	U.S. \$ 99,800,000	5½% Note due 11/15/95	+15
9%	Guaranteed Bonds due March 14, 1998	E.D.F.	U.S. \$200,000,000	5% Note due 01/31/98	+15
9½%	Guaranteed Bonds due July 26, 1998	E.D.F.	U.S. \$150,000,000	5% Note due 01/31/98	+23
9½%	Guaranteed Bonds due March 8, 1999	E.D.F.	U.S. \$600,000,000	6% Note due 01/15/00	+4
7½%	Guaranteed Bonds due May 7, 2006	E.D.F.	U.S. \$250,000,000	6% Note due 08/15/02	+60
11½%	Notes due February 8, 1995	C.N.E.	U.S. \$125,000,000	4½% Note due 01/31/95	+12

(Note: Caisse Nationale de l'Energie ("C.N.E.") was dissolved on January 1, 1993 and E.D.F. has assumed all rights and obligations of C.N.E. in respect of the 11% Notes due February 8, 1995 pursuant to Law no. 92-1478 of December 31, 1992 of the Republic of France.)

Information relating to the repurchase may be obtained from Telerate - page 17520, Reuters - page GSZG or from the Dealer Manager.

THE TENDER AND REPURCHASE PROGRAMME EXPIRES AT 5.00 P.M. (LONDON TIME) FEBRUARY 19, 1993, UNLESS EXTENDED.

Bondholders should direct questions relating to the repurchase and this announcement and requests for copies of the Offer Document to:

Dealer Manager

Goldman Sachs International Limited

Telephone: (44 71) 774 5120 (reverse charges)

This advertisement has been issued by Electricité de France (E.D.F.), Service national. Goldman Sachs International Limited, a member of the Securities and Futures Authority Limited, has approved the contents of this advertisement for the purposes of Section 57 of the Financial Services Act 1986. This advertisement does not constitute or form part of any offer to purchase or any solicitation of any offer to sell any securities and is not for distribution in the United States. The offer is made solely by, and pursuant to, the Offer Document dated February 9, 1993.

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"B.I.A." is a well known Swiss investment company, and its scheme is also recognised by the UK Securities and Investment Board, listed on the Luxembourg Stock Exchange, and authorised in Hong Kong. B.I.A.'s Swiss Franc bond scheme is similar to a unit trust, and investors benefit from any increase in B.I.A.'s Swiss Franc denominated unit prices and from any currency gain that may arise.

B.I.A.'s investment advisers are Pictet & Cie, Geneva, one of Switzerland's largest and oldest private banks. The portfolio of first class Swiss Franc bonds and deposits is conservatively managed to maximise capital growth, and the income is reinvested. The Swiss Franc denominated price of B.I.A.'s anonymous "bearer" certificates is quoted daily in the Financial Times. Each unit now costs about SF6900 - approximately £430.

Please note that the price of units can go down as well as up, and investors may not get back the amount that they invested. The Sterling value of units will increase or decrease depending on exchange rate movements.



Details are available to investors and advisers from B.I.A. or its UK representatives who approved this advertisement: David Burrows, Marketing Director, International Investment Consultants Ltd., 30 Finsbury Square, London EC2A 1SB. Telephone: 071 638 2540 or 071 588 1932. Fax: 071 628 2472.

Mr/Ms/Mrs _____
Address _____
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B.I.A. Bond Investments AG, Switzerland
8 Baarerstrasse, 6301 Zug, Switzerland



INTERNATIONAL COMPANIES AND FINANCE

Metallgesellschaft plans DM1bn in non-core disposals

By David Waller in Frankfurt

METALLGESELLSCHAFT, the Frankfurt mining and industrial conglomerate which has in recent years been one of Germany's most acquisitive companies, is now planning large-scale disposals.

Mr Heinz Schimmelbusch, chief executive, told analysts yesterday the group plans to make disposals to raise around DM1bn (\$606m) over the next two years.

At the same time, capital investment is to be scaled back by 40 per cent to DM1bn for the current year.

He gave no indication of which companies were for sale, apart from saying they would be non-core businesses and would not include any famous names. This rules out Buderus the heating products company which now has a separate listing on the German stock market - or any of the other industrial companies acquired last year from Stora of Sweden in a DM1.45bn acquisition.

A list of potential sales targets has been drawn up, but a final decision on which of the group's 258 subsidiaries are to be sold has yet to be taken.

Mr Schimmelbusch indicated that the group would be reducing the workforce - which rose through acquisitions from 38,173 to 62,547 over 1991-92 - during the course of the year. But he gave no details of how many jobs would be cut and in which divisions.

The disposals programme is a reaction to difficult market conditions for the Metallgesellschaft group. In the year to the end of September, group pre-tax profits fell 23 per cent to DM245m. This is the second successive year that profits have declined sharply against a background of falling metal prices and difficulties in the car components sector, which have meant that the group's Kolbenschmidt subsidiary lost DM98.6m last year before tax. Group sales last year fell 21 per cent to DM23.9bn.

Analysts estimate that the group's net debt stands at DM2.1bn, compared to equity of DM3.7bn. The group's market capitalisation is DM2.9bn. Mr Schimmelbusch said that trading in the first four months of the current year was at the same, unsatisfactory level as in the previous year. The central problem was low base metal prices - afflicted by cheap imports from eastern Europe.

● Kaufhof, the large German retail group, yesterday reported that sales rose by 13 per cent in 1992 to DM20.3bn, up from DM18bn a year earlier.

The company said the sales growth reflected its strategy of expanding into high-growth niche-retail markets, a segment of the business which accounted for 27 per cent of group sales, up from 23 per cent in the previous year. Department store sales accounted for 47 per cent of the total, down from 53 per cent.

French insurers' profits plunge under pressure

Alice Rawsthorn on how the fall in earnings might affect the prospects for privatisation

FOR MONTHS France's large insurance groups have made no secret of being under pressure. But it was only on Tuesday when the usually optimistic Mr Claude Béhéar, chairman of Axa, addressed analysts in Paris that it was clear just how heavy the pressure had been.

Axa, the second largest French insurer, not only announced a sharp fall in net profits to about FF1.5bn (\$238m) in 1992 from FF2.4bn the year before. It also said that it was raising FF3.65bn in a convertible bond issue to recapitalise Equitable Life, its US associate.

Later that day, Union des Assurances de Paris (UAP), France's biggest single insurer, revealed its 1992 net profits had plummeted to about FF1.15bn, from FF3.8bn in 1991. Analysts are now steered for more gloomy figures when Assurances Générales de France (AGF) and the GAN Group publish their 1992 results.

French insurers are operating in intensely competitive conditions as the economic slowdown is making it more difficult for them to pump up profits with asset sales as they did in 1991, when all the "big four" would otherwise have been in the red.

These problems could scarcely have come at a worse time. France's insurance industry has hit the doldrums just as the three state-controlled companies - UAP, AGF and GAN - are preparing to be privatised by a future French government after



Claude Béhéar: Optimism buckled in face of grim figures

next month's elections. Even the most optimistic French insurers are resigned to another set of lacklustre results this year. The economy is unlikely to show any signs of recovery at least until the second half, assuming that the franc stabilises and interest rates come down.

In the meantime, the industry faces the same problems that beset it last year. Competition remains intense both in terms of the number of players in the market and pressure on tariffs. The economic squeeze has produced a predictable increase in the number of claims, including suspected false claims, and continues to depress the value of the insurers' industrial portfolios.

Moreover, the property mar-

ket shows no sign of recovery. This affects the insurers in two ways. First, they face another year of high provisions. Second, their asset sales will again be too low to compensate for poor operating profits and hefty provisions.

The Paris stock market is rife with rumours about the insurers selling properties to each other, allegedly at inflated prices.

In the short term, this cushions them against the slump and helps prop up the market. But, in the long term, they will have to carry those properties on their books.

The industry's future is more reassuring. The FF240bn life market should be boosted by the forthcoming reform of French pensions, which is expected to supplement the state system with private pension plans.

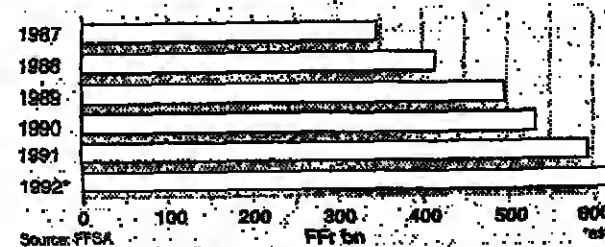
Meanwhile, competition appears to be easing in the FF200m non-life sector as the growth of the *mutuelles*, which sell insurance to specialist groups of employees, peaks. There are also signs of tariffs rising in certain sectors, notably motor insurance.

The general economic recovery should alleviate the pressure on the stock market and on residential property - although it is expected to take at least three years for the over-saturated commercial property market to recover.

French insurers should also start to benefit from their international expansion in the early 1990s.

Axa is expected to receive more substantial contributions from Equitable Life in the US.

Turnover of all French insurance companies



Net profits of 'big four' French insurers



AGF now owns a substantial stake in AMB, the German insurer, after a complex transaction last year.

UAP has invested in Germany via its holding in Nordstern, although it is smarting from its failure to buy a stake in Colonia from Victoire, the insurance subsidiary of the Suez industrial group.

These developments should ensure that the large French insurers stabilise profits this year and secure moderate growth next year. "We can't hope for much from any of the big French insurers in 1993," said Mr Michael Huttner, European insurance analyst at BNP Securities in London. "But we can expect to see a gradual recovery from 1994 onwards."

The critical question is whether this improvement will come in time to enable the next French government to sell all, or part of, its shares in UAP, AGF and GAN.

All three are eager to enter the private sector, where they would be free to raise capital from the markets and would not be barred, as state-controlled companies, from investing in the US. The centre-right alliance, favoured to win next month's poll, plans to privatise them as quickly as possible.

The consensus among analysts is that all three companies are saleable despite their present problems. "The market loves a recovery story," said one. "The only problem for the French government is judging how the 1992 and 1993 figures will affect the price."

Record loss of \$1.3bn at Ford of Europe

By Kevin Done, Motor Industry Correspondent

FORD'S European automotive operations made a record loss last year of \$1.3bn compared with a loss of \$1.079bn in 1991. The loss was largely incurred by Ford's operations in Britain, including Jaguar, the UK car maker.

The loss in Europe included a \$419m one-off charge for restructuring, while adverse currency fluctuations added exchange rate losses of more than \$200m.

Ford of Europe announced late last year that it was planning to cut more than 10,000 jobs by the end of 1993.

The workforce of its European automotive operations, excluding Jaguar, had already been cut by 16 per cent from 115,000 in 1990 to 93,000 late last year and the total is set to fall to 83,000 by the end of 1993.

Jaguar, which was taken over by Ford at the end of 1989, said that its loss last year was little changed under US accounting rules at \$394.9m compared with a loss of \$402.2m in 1991.

Under UK accounting rules the loss was cut to \$189.5m (\$286m) from \$226.2m a year earlier. The Jaguar workforce has also been sharply reduced to only 6,481 at the end of 1992 from 7,520 a year earlier and 11,661 at the end of 1990.

Jaguar's retail sales worldwide fell last year by 12.4 per cent to 22,475 - the lowest level since 1982, while production dropped last year by 10.5 per cent to 20,593 - the lowest level since 1981.

The UK car maker is expecting some recovery in its fortunes this year, however, with a forecast increase in sales of 25 per cent worldwide led by stronger demand in the US.

Jaguar sales in January were 25 per cent higher than a year ago helped by a 30 per cent rise in its sales in the US, its most important market.

Mr David McCammon, Ford vice-president for finance in the US, said that most of the group's European automotive losses stemmed from Ford of Britain and from Jaguar.

Ford, the leader of the UK new car market, has suffered heavily during the recession and its UK sales fell again last year by 8.4 per cent, depressing its UK market share to only 22.2 per cent from 24.2 per cent a year earlier.

The loss of \$1.3bn incurred last year by Ford's European automotive operations, including Jaguar, followed a net loss of \$1.079bn in 1991, and net profits of \$145m in 1990 and \$1.19bn in 1989.

The losses in Europe more than accounted for Ford's total automotive losses last year outside the US of \$1.1bn.

Ford's European car production fell by 6.9 per cent last year to 1,459,792, although its output of light commercial vehicles rose by 9.5 per cent to 226,547 helped by the launch of the Fiesta Courier van.

The Ford group has fallen to fifth place in the west European new car market.

All of these securities having been sold, this announcement appears as a matter of record only.

February 1993

5,060,000 Shares



Seagull Energy Corporation

Common Stock

800,000 Shares

The above shares were offered outside the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette

Securities Corporation

Credit Suisse First Boston Limited

Lehman Brothers International

Smith Barney, Harris Upham & Co.

Incorporated

Howard, Weil, Labouisse, Friedrichs

Incorporated

ABN AMRO Bank N.V.

Banque Indosuez

James Capel & Co. Limited

Credit Lyonnais Securities

Daiwa Europe Limited

N M Rothschild & Sons Limited

Société Générale

Smith New Court Securities Limited

Swiss Bank Corporation

4,260,000 Shares

The above shares were offered in the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette

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Lehman Brothers

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Incorporated

Howard, Weil, Labouisse, Friedrichs

Incorporated

Bear, Stearns & Co. Inc.

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Keane Securities Co., Inc.

Mabon Securities Corp.

RAS Securities Corp.

Southcoast Capital Corporation

Williams Mackay Jordan & Co., Inc.

Turnover up but Sunbop earnings fall to R136.5m

By Philip Gawth in Johannesburg

SUN International Bophuthatswana (Sunbop), the South African gaming and leisure group, yesterday announced a 3 per cent fall in taxable profits to R136.5m (\$43.7m) in the six months to December, down from R141.4m a year earlier.

This was in spite of a 15 per cent increase in turnover by Sunbop, whose hotels are all located in the Bophuthatswana homeland, to R556.4m from R483.4m.

Mr Sol Kerzner, chairman, attributed the revenue performance, achieved in the face of an "extremely poor economic environment", to having the benefit of its new Caroncel resort for the full six months. The opening of the R830m Lost City project in December, amid saturation media coverage, also boosted turnover.

Average occupancies at the company's hotels, however, dropped to 72 per cent from 78 per cent the previous year, and this put pressure on margins, leading to the lower profits.

Earnings per share dropped to 93 cents per share, from 96 cents a year earlier, because of an increased number of shares in issue. The interim dividend was maintained at 64 cents a share.

Imasco extends its penetration of US

By Robert Gibbens in Montreal

IMASCO's financial services unit, through a US subsidiary, is buying US\$600m in deposits and 18 branches in the Rochester and Buffalo areas from two New York-based savings and loan companies.

The acquisitions, from Anchor Savings Bank and Dime Savings Bank, will raise the indirect Imasco subsidiary's network in the north-eastern US to 86 branches and an asset base of well over US\$5bn. Market share in the expanding Buffalo, NY, market will rise to 6 per cent.

Imasco owns Canada's largest trust company, Canada Trustco, through CT Financial Services, and the US subsidiary is First Federal Savings and Loan, based in Rochester and acquired by CT in 1991.

Imasco would not reveal the price paid for both deals but it said First Federal is not acquiring any loan portfolios. The deals are part of Imasco's financial services expansion in the US north-east.

● Abitibi Price, the big newspaper producer now owned by creditors of Olympia & York Developments, is raising C\$150m (US\$119m) with an issue of convertible debentures. The proceeds will be used to reduce long-term debt.

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INTERNATIONAL COMPANIES AND FINANCE

Toyota plunges 22% at halfway as sales improve

By Charles Leadbeater
in Tokyo

TOYOTA, Japan's leading vehicle manufacturer, yesterday reported a 22.3 per cent drop in pre-tax profits for the six months ended December, partly because of lower interest income and exchange rate losses.

Toyota's sales were ¥4,564bn (\$37bn), up just 2.6 per cent on the comparable six months of 1991. Pre-tax profits were ¥46.5bn lower at ¥182bn, operating profit was 24.4 per cent lower at ¥58.2bn and net income was 30 per cent down at ¥72.3bn. It was the third successive year of declining profits.

The deterioration in Toyota's finances has prompted a sharp reduction in cash reserves. These have fallen from ¥1,432bn at the end of July, 1992 to ¥943bn at the end of December. The company also sold about 37.5 per cent of its stock of marketable securities, which stood at ¥1,044bn in August.

The fall seems likely to continue as about ¥1,000bn of equity warrants falls due for redemption this June. The company, under the stewardship of chairman Mr Shoichiro Toyoda, said it was exploring a variety of ways to finance the redemption of the warrants.

Toyota blamed most of the 24 per cent fall in operating



Shoichiro Toyoda: rundown in cash reserves to continue

income on adverse foreign exchange movements worth ¥30bn, rising personnel costs worth ¥20bn and ¥30bn due to the fall in sales. Interest and dividend income fell by ¥34bn to ¥88bn, largely because of the fall in Japanese interest rates and the sale of securities. Although sales were up by 2.6 per cent, the cost of sales rose by 4.2 per cent to ¥4,172bn.

Overseas operations are playing an increasingly important role in bolstering performance. Although vehicle sales were virtually flat at ¥3,004bn, this was largely because a ¥75bn fall in domestic sales to ¥1,688bn was offset by a ¥78bn increase in overseas sales.

Standard Bank to lift payout after 22% rise

By Philip Gawth
in Johannesburg

STANDARD Bank, one of South Africa's two largest banking groups, yesterday announced a 22 per cent increase in attributable income to R625m (\$200m) for 1992 and said it plans to pay a higher dividend.

After taking account of a rights issue, scrip dividends and an acquisition issue, earnings per share were 17 per cent up at 593 cents. The overall dividend is going up by 17 per cent to 187 cents per share.

The bank said favourable interest margins and asset growth were the main reasons for the upturn.

Net interest income rose by 27 per cent to R2,588m. This reflected improved margins - the high level of liquidity in the system caused the cost of funds to drop - and a 21.4 per cent increase in loans, advances and acceptances.

The increased level of advances was the main contributor to the 26.6 per cent increase in assets, to R63.9bn.

Mr Eddie Theron, managing director, said asset growth was strongest in home loans, which increased by 49 per cent to R11.9bn.

Standard Bank of South Africa lifted its net income by 31 per cent to R506m and Standard Merchant Bank increased profit by 21 per cent to R43m.

Bad debts remained at the high level of 1991 and operating costs rose by 29 per cent owing to spending on new foreign operations, staff training, product development and electronic systems.

Mr Theron said favourable interest margins in 1993 would allow increased earnings, but at a lower rate than in 1992.

Mr Bob Alworth, the executive director of ABSA who was sacked earlier this week, has admitted in an affidavit that he owes the banking group R414,000.

Mr Alworth had hoped ABSA share options he holds would rise in value sufficiently to allow him to repay the debt. This has not taken place.

Chinese candidates line up for HK listing

Simon Davies looks at the flotations which will add a new dimension to the colony

This year some of China's largest state-run industries will be listed on the Hong Kong stock exchange, adding a new dimension to a stock market that has long been driven by local political and property influences.

The potential for Hong Kong is enormous, and the pull for advisers has been similarly compelling. More than 40 merchant banks have lined up to fight for the mandate for the flotation of just one of the companies, Qingdao Brewery, which produces one of China's best-known exports, Tsingtao beer.

Shanghai Petrochemical, which is the largest and probably the first of the flotations, is set to raise as much as HK\$3bn (\$398m). In total, analysts believe the nine short-listed companies will raise more than HK\$7bn.

If successful, there is an enormous supply of further candidates from among the country's financially stretched state industries, which are keen to tap international capital flows by developing a strong Chinese element to what will in five years become a Chinese-owned stock market.

However, there are sizeable obstacles to be overcome before these Chinese flotations can be smoothly launched in Hong Kong. Not least of these is a need for re-education of the companies' management.

Only recently, Chinese company directors would have been jailed for releasing commercial information to foreigners. Now they are going to be

obliged to provide even more detailed disclosure than under the old state system.

Management freedom comes at a high price. It will have to cope with the dislocation of facing up to market forces and having responsibility to a new body of shareholders. This compares with the undemanding quota systems that they are used to.

Potential investors will also

the role of global co-ordinator for the flotation, but despite having a June target for the public offer, there is no decision yet as to what can actually be listed. It is clear that the corporation's social responsibilities will be unacceptable to a new shareholder base, but an alternative structure has yet to be conceived.

Senior representatives of the Hong Kong stock exchange

The Chinese government wants all nine industrial companies to be listed by the end of the year, and there is already rumoured to be a second batch of 12 companies ready for flotation in early 1994.

"When the Chinese top leaders want to do something, they put a lot of effort into it and they get it done very quickly," said Mr Tommy Wong, of Kwan Wong Tan & Fong, a local accountancy firm which is handling two of the Chinese flotations.

Accountants agree that the process is aided by the level of detail in state company records. As Mr Wong says: "They shoot people for economic crimes."

However, translating Chinese accounting systems into a set of internationally accepted accounts is proving complex, with major differences in the treatment of equity accounting, foreign exchange translation, and stock-taking. The revised accounts will bear little resemblance to the current profit claims of the companies.

But an unprecedented number of merchant banks are prepared to take up the challenge. Corporate financiers have been cutting documentation fees to the bone in order to fight for mandates, which are due to be announced before the end of February.

Mr Ambrose Lam, managing director of corporate finance at Standard Chartered Asia, said: "It is recognised not to be very

profitable, but it is worth it to get the recognition, and hopefully to have a better chance with the next batch of issues."

The Securities Committee is taking an active role through out. The committee is led by Zhu Rongji - a member of the Communist party's most powerful decision-making body - which emphasises the importance that China is attaching to this programme.

The committee has decided to focus on Chinese incorporated listings in Hong Kong, rather than allowing companies to incorporate and be floated further afield - such as the New York listing of Brilliance Automotive.

Beijing must be heartened by the fact that the HK\$403m offer for Hong Kong registered Denway Investments, the Chinese car manufacturer, is understood to have attracted more than HK\$200m in subscription funds.

The response suggests a quite extraordinary level of demand for China shares in Hong Kong. The use of leading international houses such as Merrill's will enable future issues to tap an even broader investor base.

The managing director of a local corporate finance house said: "Knowing the pent-up demand by Chinese companies for capital, it would be inconceivable that they would float less than 20 state companies per year, after the first batch. Therefore they understand the importance of getting it right first time."

CHINESE CORPORATIONS TO BE LISTED

	Employees
Shanghai Petrochemical	63,000
Yizheng Joint Corporation of Chemical Fibre	18,000
Kunming Machine Tool	25,000
Guangzhou Shipyard	8,000
Qingdao Brewery	2,700
Maanshan Iron and Steel	100,000
Dongfang Electric	3,000
Tianjin Bohai Chemical	29,000
Beijing Renmin Machinery	5,600

Source: Singapore International

need educating, as these companies represent an entirely new business concept. "These corporations are like Industrial revolution style company towns, where everyone owes their soul to the company store," said one merchant banker.

Shanghai Petrochemical, China's sixth largest petrochemical company, is an entire city. The company oversees everything from the law courts to the fire service, and employs an estimated 63,000 people. The general manager is like a mayor, and drives around "his" city with a red flashing light on the top of his car.

Merrill Lynch was awarded

met China's Securities Committee - the new regulatory body for China's capital markets - in Nanjing this week to wrestle with some of the technical problems presented by the listings.

One international corporate lawyer pointed out that a Chinese enterprise has to complete a share offering in order to become a separate legal entity. As a result, some issues of B shares - shares available only to foreign investors - on the Chinese stock markets have been for companies that did not legally exist during the subscription period. The Hong Kong stock exchange will want to address this.

Commonwealth Bank climbs 5% on lower write-offs

By Bruce Jacques

COMMONWEALTH Bank of Australia yesterday reported a 5 per cent improvement in operating profits for the six months ended December, confirming that it has managed to steer clear of the worst of the problems besetting some of Australia's big banks.

The bank, 70 per cent owned by the Federal government, is holding the interim dividend steady at 20 cents a share after an increase in operating profit

from A\$225.1m to A\$236.4m (US\$158.2m) for the six months.

In contrast to rivals like Westpac and the ANZ Bank, Commonwealth got through the six months with reduced bad debt write-offs, no property provisions and slightly lower problem loans on its books.

The bank reduced its charge against profit for bad and doubtful debts by 14.5 per cent to A\$546.5m while gross non-accrual loans carried eased by

1 per cent to A\$3.69bn. A further less serious problem loan category, reflecting loans in arrears, fell from A\$1.22bn to A\$974.7m.

Mr David Murray, managing director, said valuations of the bank's commercial property portfolio, covering exposures of about A\$7.2bn, indicated that no further provisioning was necessary.

The performance allowed the bank to improve its risk weighted capital adequacy ratio from 10.02 to 10.66 per

cent, comfortably exceeding the Reserve Bank's minimum 8 per cent requirement. The bank's total assets eased from A\$88.9bn to A\$88.3bn.

Mr Murray said a key reason for the bank's improved earnings performance was a 3.6 per cent fall to A\$1.47bn in operating expenses. The bank reduced its staff by just over 5,000 to 44,174 in the half.

"Further falls in operating expenses will be achieved as the integration of the former

State Bank of Victoria is completed," he said. "The banking industry is likely to experience continuing low demand for credit which, combined with the low household savings ratio, will maintain pressure on margins."

By far the biggest contribution to the bank's profit came from banking operations, up 1 per cent to A\$212.7m. Commonwealth's finance arm, CBFC, remained profitable, more than doubling its contribution to A\$23.7m.

Westpac stake disposal ends cross-shareholdings

By Bruce Jacques
in Sydney

WESTPAC Banking Corporation yesterday pulled out of the last of its significant cross-shareholdings with Australian banking colleagues when it sold a 5.6 per cent stake in Perth-based Challenge Bank for about A\$15m (US\$10m).

This followed Monday's sale of Westpac's shareholdings in both the ANZ Banking Group

and the Bank of Melbourne for a total of about A\$260m. The sales are part of an asset disposal programme.

FAI Insurance, the financial services group, cut its after-tax loss from A\$17.2m to A\$6.5m in the December half on a marginal revenue rise from A\$513.5m to A\$521.8m.

FAI said the result reflected a reduction in underwriting loss from A\$49.8m to A\$21.8m. It forecast a small loss for the full year to June, 1993.

Mr Theron said favourable interest margins in 1993 would allow increased earnings, but at a lower rate than in 1992.

Mr Bob Alworth, the executive director of ABSA who was sacked earlier this week, has admitted in an affidavit that he owes the banking group R414,000.

Mr Alworth had hoped ABSA share options he holds would rise in value sufficiently to allow him to repay the debt. This has not taken place.

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Kraft General Foods Europe

Mr Johnny Thijs
Interbrew SA

Mr M Logan Taylor
Argyll Group PLC

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Notice of Adjustment of Subscription Price To the Holders of Warrants to Subscribe for Shares of Common Stock of Sektsni House, Ltd.

(the "Company")
(Issued in conjunction with an issue by the Company of U.S. \$200,000,000 4 1/2 per cent. Bonds due 1996)

Pursuant to Clause 3(vi) and (vii) of the Instrument dated 27th June, 1991 under which the above described Warrants (the "Warrants") were issued, notice is hereby given as follows:

In accordance with the Resolutions that the Board of Directors of the Company adopted at meetings held on 19th January, 26th January and 26th January, 1993, the Company issued Yen 20,000,000,000 2 1/2 per cent. convertible unsecured bonds due 2002. Yen 20,000,000,000 2 1/2 per cent. convertible unsecured bonds due 2000, U.S. \$200,000,000 2 1/2 per cent. notes due 1997 with warrants and Swiss Franc 200,000,000 2 per cent. notes due 1997 with warrants on 3rd February, 1993 with the latest conversion or subscription price per share of Yen 969. In each case, being less than the current market price of Yen 1,075.30 in respect of the convertible bonds and Yen 1,084.00 in respect of the notes with warrants per share applicable as at that date.

As a result of such issuance, the subscription price at which shares are issuable upon exercise of the Warrants will be adjusted in accordance with Clause 3(vi) and (vii) of the Instrument from Yen 1,399.40 to Yen 1,240.00 with effect from 3rd February, 1993 (Open time).

By: The Bank of Tokyo Trust Company as Disbursement Agent
Dated: February 11, 1993

20 Fenchurch Street
London EC3P 3DB
Tel: 44 71 623 8000
Fax: 44 71 623 5535

£150,000,000 Bristol & West Building Society

Floating Rate Notes due 1994
For the three month interest period February 9, 1993 to May 10, 1993, the rate has been determined at 6.375% p.a. (based payable at the relevant interest date May 10, 1993) will be £185.86 per £10,000 and £1,558.51 per £100,000 in decimal form.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
February 11, 1993

COMPANY NOTICES

STATE BANK OF NEW SOUTH WALES
Aus. \$50,000,000 Putable
Adjustable Rate Notes due 1994
In accordance with the terms and conditions of the Notes, the interest rate for the period 2nd March, 1993 to 2nd March, 1994 has been fixed at 6 1/4 per annum. The interest payable on 2nd March, 1994 against Coupon 5 will be Aus.\$64.38 per Aus.\$1,000 nominal and Aus.\$643.75 per Aus.\$10,000 nominal.
Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA

CAJA NACIONAL DE AHORRO Y SEGURO

International Public Tender

SALE OF A CONTROLLING SHAREHOLDING IN THE LEADING INSURANCE COMPANY AND A SAVINGS BANK IN ARGENTINA

CAJA NACIONAL DE AHORRO Y SEGURO ("Caja") pursuant to the Terms and Conditions established by International Public Tender calls for the sale of:

60 per cent controlling shareholding in a new holding company, CAJA DE AHORRO Y SEGURO, S.A., to be incorporated to operate the insurance and banking business of the Caja Nacional de Ahorro y Seguro.

SALE OF THE TERMS AND CONDITIONS:

Date: From 8 February, between 10 am and 3 pm
Location: Caja's head office - Hip6doto Yrigoyen 1750, 2nd Floor, Buenos Aires, Argentina.
Price: US\$20,000
Information: An Information Memorandum on the business of the Caja is currently available from the offices of the Caja's financial advisers, Kleinwort Benson Ltd and Coopers & Lybrand/Harteneck, L6pez y C1A
14 April 1993 in the Caja's head office

Bid Date: KLEINWORT BENSON LIMITED

20 Fenchurch Street
London EC3P 3DB
Tel: 44 71 623 8000
Fax: 44 71 623 5535

COOPERS & LYBRAND/HARTENECK, L6PEZ Y C1A
25 de Mayo, 140, 6° Flan
1002 Buenos Aires
Tel: 541 334 2830
Fax: 541 331 5235

DECLARATION OF DIVIDENDS UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared on 14 January 1993, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of 94.5111 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 8 February 1993, as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share
Gold Fields Property Company Limited	140	7.08381p
New Wits Limited	84	3.76848p
Vogelstruisbuit Metal Holdings Limited	92	4.43351p

By order of the boards
per pro GOLD FIELDS CORPORATE SERVICES LIMITED

London Secretaries
S J Dunning, Secretary

United Kingdom Registrar:
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham, Kent, BR3 3TU

10 February 1993
Members of the Gold Fields Group

Pessimists fear companies may cut the pay-outs they have struggled to maintain

Captains wary of another false dawn

By Maggie Urry

THE STOCK MARKET could face a testing time as companies report results over the next few weeks, or it could be about to see the turning point from recession to recovery.

Optimists hope that when company chairmen publish profit figures for 1992 - which in aggregate will be poor - they will signal a brighter outlook for 1993. Pessimists are more concerned that some companies will cut dividends they have struggled to maintain through the longest recession since the 1930s.

There is broad agreement that industrial companies' profits in aggregate will have shown no growth, or even a slight decline, in 1992. Profits fell 6 per cent in 1991. The market's concern will be what the results say about the outlook for the current year.

Analysts will use the results to rework their profit forecasts for the coming year, setting the tone for the stock market.

Chairmen's statements and companies' dividend decisions will be studied carefully for

hints that the famous green shoots are at last starting to appear or that captains of industry see no recovery on the horizon. And chairmen may be nervous about being over-optimistic having witnessed false dawns before.

Estimates for current year profits growth vary widely, not only between stockbroking firms, but also between strategists, who take a "top-down" approach, and the "bottom-up" aggregation of analysts' forecasts. In most cases, the analysts' number is higher than the strategists', even the more bearish of whom look for double-digit percentage profits growth from industrial companies in 1993.

Even without much help from the economy, cost-cutting, lower interest rates and the benefit of the fall in the pound, if only on translation of overseas profits, should be sufficient to boost profits by 10 per cent or more.

Mr Mark Brown, chief UK strategist at UBS Phillips & Drew, is forecasting a 12 per cent rise in industrial profits, while his analysis is going for 21 per cent. He says the gap is not unusual at this stage, but worrying since

he feels if his forecast is right analysts will bring down their estimates over the next few weeks which could hit the market.

Mr Brown is concerned that an economic recovery will be slow, particularly as many companies are still trying to cut stock levels, and says that "one company's reduction in stocks is another's cut in output".

The most optimistic strategists, such as Nomura Research Institute, have a forecast of 30 per cent for industrial earnings growth in 1993. Although admitting some of this may be deferred to 1994, Nomura's analysts are closer to other firms' forecasts with 22 per cent growth predicted. Nomura believes that analysts lag behind strategists at turning points.

While most market commentators expect 1993 dividends to be little changed in total, there could be surprises from individual companies. Many are leaving the decision until the last moment so that the dividend can reflect the up-to-the-minute trading situation.

One such is Pilkington, the glass company, which has a March year-end and reports in

June. It cut its final dividend last year, but maintained its interim in December paying it from reserves, saying it would decide on the total payment for the year in June. If positive signs of recovery appear by then, investors hope Pilkington will decide not to cut again.

Dividend increases in 1993, forecast at about 3 or 4 per cent across the market, are expected to lag behind earnings growth as companies attempt to rebuild cover.

Although the hope that the UK has become a low-inflation economy means dividend cover need not be as high as it was in, say, the 1970s, companies and investors generally still feel uncomfortable if cover is below 2.

An additional problem for companies with surplus advance corporation tax is that a dividend increase adds to the tax charge, thus reducing cover more severely.

Many companies will be keen to retain earnings to help finance extra working capital which they will need when recovery comes. Mr Brown said dividend cuts were still made after the last recovery had started.



David Tweedie: in a way FRS 3 should be easier for analysts because they will be given all the numbers to work with

How the FT views FRS 3 accounting discipline

By Rod Oram

THE CHANGES to company accounts triggered by the new FRS 3 accounting standard will have an impact on companies' results and the way the Financial Times reports them.

For many companies, pre-tax profits and earnings per share will be more volatile. However, FRS 3's requirement on them to give more financial data will bring more

detail and depth to our reporting and analysis.

Not all companies will switch to FRS 3 before the June 22 deadline. For those that do, we will report their results in the following way:

- The main measure will remain pre-tax profits for the latest period compared with the previous year's figure. For a transitional period, we will show a second comparative figure based on the previous standard.
- Any factors distorting pre-tax

profits, such as the cost of rationalising or disposing of businesses, will be fully reported.

Our reports will carry all the figures needed to give a full review of a company's performance. The FRS 3 data will allow for example, a clearer picture to be given of the impact of acquisitions and the cost of disposals.

Thus, a more accurate assessment will be possible, for example, of the profitability of a company's

on-going businesses.

Greater use will also be made of off-balance sheet items introduced under FRS 3.

The FT will report the earnings per share derived under FRS 3, contrasted to the year earlier figure. We may also report any alternative earnings quoted by the company.

For analytical pieces, such as Company Comments and corporate profiles, we will draw on p/e ratios based on eps figures adjusted to

remove anomalies and to give a guide to companies' on-going performance. Brokers' analysts have begun work on such adjusted figures; we will be following their efforts closely.

FT Statistics, the department which provides the London Share Service prices, is discussing the appropriate treatment of earnings for the p/e ratios shown on these pages. The policy to be adopted will be announced in due course.

Grand Metropolitan

CONSOLIDATED PROFIT & LOSS ACCOUNT - FRS 3 BASIS for the year ended 30th September 1992

	1992 £m	1991 £m
Turnover		
Continuing operations	6,617	6,649
Acquisitions	428	
	7,045	
Discontinued operations	868	2,092
Total turnover	7,913	8,741
Operating costs	(6,964)	(7,721)
Operating profit		
Continuing operations	865	895
Acquisitions	37	
	902	
Discontinued operations	47	132
Total operating profit	949	1,027
Share of profits/(losses) of associates		
Entrepreneur Estates Ltd	(14)	(11)
Other	30	21
	965	1,037
Continuing operations		
Disposal of fixed assets	13	29
Sale or termination of businesses	10	(1)
Provisions for loss on sale or termination of businesses	(43)	28
	(20)	
Discontinued operations		
Disposal of fixed assets		3
Sale or termination of businesses	66	(307)
Utilisation of prior year provisions	53	49
Provisions for loss on sale or termination of businesses	(45)	(191)
	74	(446)
	54	(418)
Interest	(24)	(171)
Profit before taxation	925	448
Taxation	(225)	(223)
Profit after taxation	630	225
Minority interests	(6)	(7)
Profit for the year	624	218
Ordinary dividends	(246)	(218)
Transferred to reserves	378	0
Earnings per share	30.6p	11.0p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30th September 1992

	1992 £m	1991 £m
Profit for the financial year	624	218
Deficit on revaluation of investment properties in associate	(117)	-
Unrealised profit on sale of revalued pub estate	-	23
Exchange adjustments on foreign currency net investments	(19)	(15)
Total recognised gains and losses for the financial year	488	226

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 30th September 1992

	1992 £m	1991 £m
Profit on ordinary activities before taxation	925	448
Realisation of property revaluation gains of prior years	76	392
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1	3
Asset provisions created/(utilised) not required on an historical cost basis	(20)	(33)
Historical cost profit on ordinary activities before taxation	982	810
Historical cost profit for the year retained after taxation, minority interests and dividends	435	362

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 30th September 1992

	1992 £m	1991 £m
Profit for the financial year	624	218
Ordinary dividends	(246)	(218)
Other recognised gains and losses relating to the year (net)	(136)	8
New share capital issued	151	77
Goodwill acquired during the year	(182)	(278)
Goodwill transferred to the profit and loss account in respect of disposals of businesses	126	214
Net additions to shareholders' funds	337	21
Shareholders' funds at 30th September 1991	3,422	3,401
Shareholders' funds at 30th September 1992	3,759	3,422

Effects as companies rally to a new standard

By Andrew Jack

MR DAVID TWEEDIE, chairman of the Accounting Standards Board, recently said there was a need to develop standards that the person in the street could understand. FRS 3, the new financial reporting standard on the profit and loss account, does not fall into that category.

But over the coming months, anyone examining companies' financial results will rapidly begin to see the effect of the standard and will have to learn to cope with its effects.

FRS 3 becomes mandatory for companies with financial year-ends after June 22 this year. The Accounting Standards Board has urged companies to begin complying before this time.

It is essentially a standard dealing with disclosure and presentation of financial information, rather than specifying new ways of treating the numbers. The most important changes are:

- Extraordinary items - costs or realisations which are fundamentally different to a company's normal activities - will be virtually abolished. Any that remain will be placed above the bottom line, so they will be included in the pre-tax profits figure.
- Pre-tax profits and earnings will become far more volatile from year-to-year as a result, forcing readers of accounts to examine the details rather than focusing on a single figure of financial performance.

• Exceptional items - other large material items outside the company's continuing business operations - will be largely absorbed into other headings on the profit and loss account. Three will remain separately disclosed: profits or losses on sale or termination of an operation; costs of a fundamental reorganisation or restructuring; profits or losses on the sale of fixed assets.

• Turnover and profits must be broken down between three separate categories: continuing operations, acquisitions as a component of these operations, and discontinued operations.

• The proceeds on the disposal of revalued assets must be recorded with reference to the carrying value or revalued amount shown on the balance sheet, where previously it was left in reserves.

• A new statement of total recognised gains and losses will show the effect of any changes to reserves such as revaluations, and of exchange adjustments, which were all previously buried in the notes to the accounts.

• A note of historical cost profits and losses will reconcile the effects of any revaluations to the historical level at which they were shown in the balance sheet.

• A reconciliation of movements in shareholders' funds shows changes such as goodwill on acquisitions and new share capital issued. So far, only a handful of companies have complied. These include

BOC, Blue Circle, Hanson and Trafalgar House. A larger number of companies are using the format of FRS 3 for their interim results. Others - such as Bass and MEPC - are beginning to make reference to it in their accounts.

The recently released accounts of Grand Metropolitan for the year to September 30 1992 provide a useful illustration of the effects of FRS 3, which it has fully adopted.

The difference between the old and new profit and loss accounts is instantly shown by the different profits: under the old system, pre-tax profit was £902m; under FRS 3, the new pre-tax profit on ordinary activities is £925m. The principal

difference is £12m in extraordinary items, which boosts earnings per share from 30.1p to 30.6p.

GrandMet discloses a contribution to turnover of £428m from acquisitions, separated from £6.6bn from existing continuing operations. This would have been impossible to calculate before. It splits out under the three categories of the remaining exceptional items: £13m in fixed asset disposals, £10m on sale or termination of businesses, and a £43m provision for loss on sale or termination of businesses.

The three notes show substantial changes in goodwill, share capital, foreign currency exchange adjustments, and revaluations, reconciled

to the figures on the face of the profit and loss account.

In general, a danger of FRS 3 is that companies can use it to throw up a smokescreen. Some companies are reporting under the new standard, and blaming it for any drop in profits. Others are holding back from implementing FRS 3 because the old system gives them more flexibility to conceal damaging transactions.

Analysts are also noting variations in the ways companies comply with the new standard - particularly over how material items must be separately disclosed, and how businesses are divided between continuing and discontinued items.

business with assets of £80m, and then sold it for £50m. By writing off to reserves the goodwill of £20m and recording it in its balance sheet at £30m, it could have reported a profit of £10m from the sale. Now it must record a loss of £20m.

Other rulings which will come into effect soon include one requiring the disclosure of post-retirement benefits such as healthcare, and another on the treatment of costs when a company repurchases debt.

FRS 1, the accounting standard on cash flow, and FRS 2, on consolidated subsidiaries, are already in effect. More important will be FRS 4, which deals with capital instruments and may be released late this year. The standard will require companies to treat virtually all "hybrid" instruments, such as convertible bonds, as debt rather than equity. All remaining equity other than ordinary shares will be classified as non-equity shareholders' funds.

Reuters dividend likely to be beacon in a dark season

By Jane Fuller

REUTERS' near 25 per cent increase in its 1992 dividend, announced on Tuesday, is likely to be a beacon in an otherwise dark season.

Little change is expected for 1992 payments across the market. Some analysts are forecasting a small fall, especially outside the utilities and blue chip companies.

The drag factors are obvious: a small minority of companies are expected to cut their final dividends and a rather larger number will maintain, in some cases for the third year running. To offset these dampeners, there is likely to be only a smattering of 10 per cent-plus increases.

Some of the likely cutters marked themselves out at the interim stage. British Aerospace had to reshuffle its reserves to enable it to pay a much reduced interim dividend late.

Rolls-Royce, on the other hand, held its interim, but doubts have surfaced about the final. After twice holding it at 7.5p - once uncovered - the prospect of a brazen out a lack of cover for three years altogether may sway the argument for a cut. The doubts are reflected in a historic yield of nearly 8 per cent, almost double the market rate.

Among the maintainers, ICI seems to be heading for a hat-trick of three years at the same level. Once it splits in two, the more immediate hopes for growth focus on Zeneca, the pharmaceutical spin-off.

A profile of prolonged flat dividends is also presented by the motor components groups GKN and T&N. The latter's vulnerability in a second year of inadequate cover is

suggested by an 8 per cent yield. However, both returned to profits growth in the first half of the year.

CEN is a good example of the industrial groups which have improved cash flow and reduced gearing, and so can justify holding dividends even when earnings cover is a problem.

On the brighter side, Lloyds Bank is expected to announce a 10 per cent dividend increase tomorrow but its gesture would make far fewer waves than a cut from debt-ridden Barclays. Its dividend prospects have been the subject of considerable debate.

Among the insurers, Commercial Union's 3 per cent dividend increase yesterday, alongside its £428m rights issue, may well be the best of the big five composites. Royal, which passed its final last time and slashed the 1992 interim, is forecast to make the annual total up to 5p. Losses on domestic mortgage indemnity policies have hit its ability to pay more.

Looking ahead, dividend growth is forecast to resume this year, although recovering at a slower pace than earnings. A couple of years of modest dividend rises - say 4-5 per cent in line with inflation - should enable companies to rebuild dividend cover, which has fallen below 1.8 times.

Analysts are questioning the need to restore cover to historic levels of 2.5 times or more because of lower inflation and the downward pressure exerted on the average by privatised utilities.

A lower target would bring forward the point at which real dividend growth can resume. As long as prospects are sluggish, the attractiveness of equities diminishes compared with gilts.

Change in rulings will devalue p/e ratios

By Maggie Urry

IS THE p/e ratio dead? The introduction of Financial Reporting Standard 3 will make fundamental changes to the way earnings per share are calculated, and will therefore affect the p/e, often regarded as the most important investment ratio.

Once items formerly treated as extraordinary, and therefore not included in eps calculations, are moved above the line, the FRS 3 eps number is likely to be more volatile than in the past.

The Accounting Standards Board's main aim in producing FRS 3 was to reduce the importance of the single eps number - which has become less meaningful as companies have found ways to fudge the figure. Under FRS 3 investors will be given, and indeed forced to look at, more information on which to base their valuations of companies.

Mr David Tweedie, chairman of the ASB, says that, "in a way it should be easier for analysts because they will be given all the numbers to work with." He points out that US companies and analysts have worked with a similar accounting system to FRS 3 for years. While 53 per cent of UK companies are likely to have an extraordinary item in any one year, only 5 per cent of US companies do.

Analysts are fairly gung-ho about the changes, although they admit that there will be discontinuity and confusion to start with. Many claim that they were already adjusting published eps numbers for items which they regarded as out part of the continuing business.

Further they stress that the p/e is only one measure of a company, and most analysts also look at yield, cash flow, asset value, balance sheet strength and make more subjective judgements such as on the quality of management.

The Institute of Investment Management and Research, the investment analysts' industry body, is working on a report expected to produce a recommended method of producing a "normalised" eps figure showing what a company has earned from its continuing operations. Analysts could use this as a base for making earnings forecasts.

This method could become an industry standard, and companies might even come to produce an IIMR eps figure. Meanwhile, many stockbroking firms are working on their own versions of normalised or ongoing eps figures.

Mr David Gray, of brokers James Capel, agrees that the p/e has in the past been emphasised because it provides a simple measure to put across to investors. He, like others, does not expect a move to a ratio based on cash flow, but says people will be pushed to use a wider range of yardsticks.

At UBS Phillips & Drew, Mr Richard Hannah agrees that the arrival of FRS 3 will "force analysis beyond the eps level". However, he is concerned that analysts may latch on to an "ongoing" p/e.

That is likely to be a flattering number if losses from discontinued activities, for example, are excluded. And it is often a reflection on a company's management if a subsidiary has to be closed, and relevant to its dividend paying ability if a loss on an investment has been sustained.

If not dead, the p/e will at least be devalued with FRS 3, but that may not be a bad thing.

COMPANY NEWS: UK

NHL to repay £120m bond issue on time

By John Gapper,
Banking Correspondent

NATIONAL Home Loans, the centralised mortgage lender, yesterday signalled confidence in its prospects of recovery by announcing that it intended to repay £120m in D-Mark bond issues on time rather than rescheduling the debt.

The shares firmed 1/2p to 6 1/2p. The group said it had postponed rescheduling offers to holders of £48.4m of bonds due for payment on June 7, and £71.7m of bonds due in mid-1995.

It now intended to repay the debt rather than moving back the repayment dates to the

end of 1995.

The company said it had postponed plans to reschedule debt because of the "significant costs" of making exchange offers, and because improving prospects for the UK housing market had made it more confident of its own trading prospects.

It added that its confidence had also been increased by the falls in sterling interest rates.

Mr Jonathan Perry, chairman, said the cost of exchanging the bonds, which trade on the Frankfurt exchange, included fees and commissions to exchange agents, higher interest rates on the bonds, and legal fees.

The company, which had to

reschedule on-balance sheet debt of £700m last June to keep trading, requires permission both from banks involved in the refinancing, and from holders of £50m of dollar bonds already rescheduled to 1995.

Mr Perry said that the banks had 30 days to respond to the request for consent.

Dollar bond holders would be consulted at a meeting for which 21 days notice would be given.

He said that if consent was not given, the company would have to return to its original plan to reschedule the D-Mark bonds. The company originally said it was confident that the D-Mark bonds would be rescheduled by the end of 1992.

Airtours resumes attack in Owners bid

By Richard Gourlay

AIRTOURS yesterday returned to the attack in its bid to take over Owners Abroad, arguing that shareholders in the rival holiday group have been given inadequate explanations as to why their company has performed relatively so badly.

In a letter to shareholders, Mr David Crossland, Airtours chairman, said that contrary to Owners Abroad's claim that his company was "running out of steam", Airtours' increases in bookings were gathering momentum.

"The basic message is the same," Mr Crossland said. "Airtours has performed over the years and Owners Abroad hasn't."

Mr Howard Klein, Owners Abroad chairman, replied by saying that in neither of Airtours' two offer documents had it supplied a convincing explanation of the strategy for the enlarged group.

Airtours had also failed to quantify the benefits which it claimed would come from the merger of the two groups.

Mr Crossland said that he was particularly upset by the claim that Airtours had chosen the wrong aircraft in the M853.

This older, but commercially proven, aircraft had been chosen because at the time the A320 had not been in operation for more than 4,000 flying hours a year.

Airtours had decided not to risk starting a new charter airline with a new aircraft.

Mr Crossland refuted Owners Abroad's claim that Airtours' 30 per cent expansion in capacity in 1991 had been "risky".

Airtours had moved very rapidly, but according to a plan - in snapping up hotel beds and airline seats when IAG went bust.

As a result Airtours had been able to approximate to double its market share, adding five percentage points to take it up to about 12 per cent of the air inclusive tour market that year. Owners Abroad had only increased its market share by one percentage point in summer 1991.

Mr Crossland said that while his company had increased its market capitalisation by £186m in the five years to last September, Owners Abroad's worth had shrunk.

A downturn reaching to the core

David Simon has had a baptism of fire at British Petroleum. Deborah Hargreaves reports on the expected losses

BRITISH Petroleum will today report a loss for last year and a sharp cut in its dividend as the company has seen a downturn in all of its main businesses.

The decline in core activities, such as refining and marketing, is even worse than can have been imagined by Mr David Simon, chief executive, when he took on the post after the ousting of Mr Bob Horton last June.

BP is expected to report a loss of between £350m and £400m on a replacement cost basis, which strips out the effects of stock losses and gains, but this figure could be clouded by changes in BP's accounting standards.

Investment analysts expect the company to pay a dividend of 2.1p for the final quarter, making a full year pay-out of 10.5p - down from 18.5p in 1991.

The company is continuing its programme of severe cost-cutting set in train by Mr Horton and stepped up by Mr Simon last August.

Mr Simon is believed to have

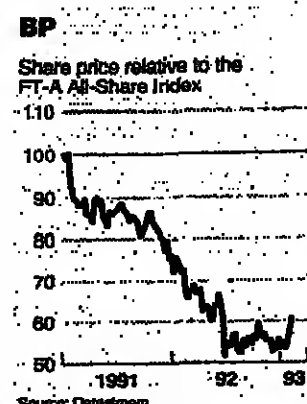
curtailed capital expenditure in the second half of last year even more than he said he would as the scale of the downturn became clear to him.

Mr Nick Clayton, oil analyst at Smith New Court, expects BP to show that it has cut capital spending by £400m in the second half to leave a total of about £3.2bn for the full year.

"The company is doing all the right things in cutting costs, but it is getting absolutely no help from the external environment," said Mr Clayton. Severe over-capacity in the chemicals sector had turned that market into a "bloodbath".

In addition, over-production by European oil refineries has cut margins to a level of about \$1 (60p) a barrel this week which means no companies are making money. Oil companies need a margin of at least \$3 a barrel to make a profit on refining.

Crude oil prices have remained low and this hurts



has turned into a slightly higher expected income for BP for the final quarter of last year in spite of the deteriorating fundamentals.

Analysts expect fourth quarter income to be between £150m and £200m on a replacement cost basis which is an improvement on the £72m earned in the last quarter of 1991.

However, few in the City expect the upturn to be sustained until there is a pick-up in the oil market.

BP also faces initial costs for part of its restructuring programme, which aims to reduce the workforce by 11 per cent. Redundancy payments could cost the company £300m in the next six months.

Cash is a key element for BP to get under control. Mr Clayton believes last year's results will point to a net outflow of £350m.

Mr Simon cannot let up on his cost-cutting initiative while the fundamentals of his business remain so poor.

Lloyds Abbey rises to £298m

By John Authers

LYOYDS ABBEY Life, the life assurance group, announced profits before tax of £297.6m for 1992, a rise of 4.2 per cent on the previous year's £285.5m, restated under new accounting standards.

The total dividend remains at 17.3p via a proposed maintained final of 11p, payable from earnings of 28p (29.1p) per share.

Black Horse Financial Services, a "bankassurance" company which sells products only to customers of Lloyds Bank, registered a 25.5 per cent growth in pre-tax profits, from £99.5m to £110.5m.

However, profits at Abbey Life, its other UK life assurance division which sells mostly through a direct sales force, rose by only 2.4 per cent to £146.1m (£142.9m).

Abbey Life's relatively poor performance was attributed to expenses of new regulatory requirements on training and competence, which led to a reduction in the sales force from 3,507 to 3,200.

Lloyds Bank Insurance Services, which sells general insurance, increased pre-tax profits by 7.7 per cent to £53.8m (£54.6m).

Profits before tax at Lloyds Bowmaker, the finance company affected by a £100.5m bad debt write-off, dropped from £22.3m to £18.2m. Black Horse Agencies, the estate agency, saw losses reduced from £21.4m to £10.6m.

The worst results were suffered by Trans Leben, the group's German life subsidiary, which incurred a loss of £14.1m (profits of £7.5m). This reflected strict reserving requirements for its "with-profits" business.

See Lex

Brooke Tool £2.4m disposal

By Gary Evans

BROOKE TOOL Engineering (Holdings) yesterday announced a further step in its programme of selling loss-making businesses with the disposal of Cardinal Broach to management for £2.35m cash.

At the same time, the company reported a sharp increase in pre-tax losses, from £1.7m to £3.14m, for the 12 months to September 30.

Turnover was lower at £18.9m (£25.3m). Losses per share increased to 7.3p (3.3p) and the final dividend is omitted. Last year only a 0.25p interim was paid.

Exceptional charges of £1.24m (£811,000) included a

£503,000 loss attributable to Cardinal Broach, which makes broaching tools and machines. The 1991 figures included an extraordinary loss of £403,000 which has been restated as an exceptional item in line with new accounting standards.

Mr Bernard Friend, chairman, said that the exceptional covered measures to reduce the cost base and eliminate loss-making activities. They included redundancy payments and losses on disposals.

A number of loss-makers were sold during the year, realising about £1.4m.

Cardinal Broach represents the group's last connection with the design and manufacture of capital equipment. Mr

John Dasher, chief executive, said the sale would allow the group to redirect resources into its remaining businesses in domestic and export markets - which are showing signs of improvement. It would also reduce group borrowings.

Mr Friend said that poor trading and redundancy costs had kept borrowings at too high a level. Interest charges for the year took £811,000 (£968,000). The first quarter of the current year had not shown any significant change in trading, but there were more recent signs of improvement.

Order books were stronger than at this time last year, particularly in continental Europe and North America.

CONTRACTS & TENDERS

Tender for the sale of the Aluminium Smelting Plant of Chemie AG Bitterfeld-Wolfen, Saxony Anhalt/ East Germany

The aluminium smelting plant of Chemie AG Bitterfeld-Wolfen is the only one of its kind in eastern Germany.

The production facilities and warehousing are located on a site of 23,500 sq.m. offering good transport links. A further 17,200 sq.m. of open spaces and buildings have been set aside for extensions to the plant. Both sites are part of the Bitterfeld-Wolfen industrial estate which is currently being developed and which has already attracted a number of leading investors.

The aluminium smelting plant currently has 146 employees making various aluminium alloys according to DIN 1725/05 on a 24 hour shift system. Capacity utilization for the three product types of aluminium granules, primary and secondary pig alloys averages 85 per cent.

Tender conditions

- In accordance with its legal mandate, the Treuhandanstalt intends to sell the aforementioned object by means of a tender.
- This object is sold as an asset. Bids must therefore be for total asset (including equipment, and real estate). Inventory is to be valued at the time of acquisition.
- Anyone is entitled to bid.
- In deciding among the bids, the Treuhandanstalt will take into consideration, among other things, the bid price, the business plan submitted, promises to maintain or create jobs, and pledges to invest, each of which will be considered part of the bid.
- Interested parties are requested to perform their own research and can obtain further information without charge from the Central Tender Office of the Treuhandanstalt. The Treuhandanstalt is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from the Central Tender Office to visit the plant on the basis of which an entitled person will arrange for a guided visit.
- Bids are to be submitted in a sealed envelope marked only with the name of the plant, for which the bid is submitted.
- C-1080 Berlin, Germany, no later than 2 p.m. (local time), on May 4, 1993 (the "closing date"). They will be opened immediately thereafter in the presence of a notary public. Bids must be in Deutsche Mark and shall remain valid for ninety (90) days after the closing date.
- Bids must be accompanied by a bond of five (5) percent of the bid value in the form of an irrevocable bank guarantee valid for ninety (90) days after the closing date. The bid bond will be forfeited if the bidder either fails to hold its bid open during the required period or refuses to sign a contract in accordance with its bid.
- The Treuhandanstalt will decide on the bids within ninety (90) days after the closing date. The Treuhandanstalt is not bound to accept any bid and may accept a bid other than the highest.
- To the extent that a previous owner has submitted a claim seeking return (in whole or in part) of a plant, a sale will require either the approval of the claimant and/or a certificate of investment preference according to the respective law (InvVorg).

Office hours for the Central Tender Office of the Treuhandanstalt are Monday through Friday from 9:00 a.m. until 4:00 p.m. (local time).

For further free information (plant profiles, visit authorization, etc.) please contact:

Treuhandanstalt
Central Tender Office
Leipziger Straße 5-7
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Tel. +49-30-31541278
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New York Office
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Tokyo Office
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Fax +81-3-35032902

Benson reaches £0.8m as growth continues

By Paul Cheeseright,
Midlands Correspondent

GROWTH AT Benson Group, the Wolverhampton-based engineering company, continued during its first half to November 30.

Pre-tax profits jumped from £225,000 to £281,000 on turnover

of £14.5m (£4.85m).

The profits growth marks an extension of last year's second-half trend and follows the absorption of five acquisitions. New management arrived in 1990 and undertook corporate surgery earlier in the recession than many of its peers. The group has disengaged from the

difficult agricultural machinery markets.

Margins have been maintained at the levels of the last financial year in the three main lines of business - environmental controls, vehicle engineering and engineering components. "We have been determined not to enter the

fray of reducing prices," said Mr Richard Phillips, chairman. Earnings per share were 0.55p (0.39p) and the interim dividend is restored with a payment of 0.1p. For 1991-92, Benson paid a final, also of 0.1p.

Gearing rose from 30 to 50 per cent during the six months.

NEWS DIGEST

Share sale bolsters CH Bailey

SALES OF investments, mainly the disposal of part of its stake in Bristol Channel Ship Repairs, produced a £1.4m credit for CH Bailey in the 28 weeks to October 9. The company returned to profit to the tune of £773,250. Sales rose some 12 per cent from £2.1m to £2.34m, but margins remained slim. The corresponding period saw a £305,600 loss.

Mr Christopher Bailey, chairman of both Bailey and Bristol Channel, in which CH Bailey retains an 8 per cent stake, also voiced his opposition to the Cardiff Bay barrage bill.

He said that if the scheme, which is being considered in the House of Lords, was sanctioned it would make ship-repairing at the Bute dry dock impossible.

US growth lifts Elan

Third quarter profits of Elan Corporation, the Irish health care products group, improved from £3.06m to £5.17m (£5.38m) pre-tax. For the nine months to December 31, profits rose from £8.58m to £14.15m.

Mr Donald E. Panoz, chairman, said the growth could be

attributed to the success of Cardizem CD in the US market.

Although sales by Lederle of Prostap declined significantly in the US, that was partly offset by increased sales of the nicotine patch in international markets.

Turnover improved from £14.9m to £23.4m. Earnings per share rose to 0.15p (0.1p).

Elbief deficit up to £244,000

Shares of Elbief yesterday fell 5p to 21p as the Birmingham-based manufacturer of photographic frames, clocks and mirrors accompanied news of an increased interim deficit with a gloomy trading statement.

Losses before tax for the six months to October 31 increased to £244,000 (£57,000). Mr Harry Prals, chairman, said: "Overheads were pruned severely and employee numbers were drastically reduced, but this was negated by lower sales."

Turnover declined 17 per cent to £1.9m. Mr Prals said he saw little sign of an end to recession and did not anticipate a return to profits in the current year.

Losses per share were 0.2p (0.04p).

Throgmorton 1000 net asset value falls

In its first set of results, Throgmorton 1000 Smallest Compa-

Kleinwort Overseas net asset value rises

Kleinwort Overseas Investment Trust had a net asset

Fleming Enterprise asset value ahead

Fleming Enterprise Investment Trust had a net asset of 170p at December 31 1992.

This compared with 159.6p a year earlier.

Net revenue for the half year was sharply lower at £734,000 (£1.12m).

Earnings per share dipped from 2.79p to 1.83p. The interim dividend is maintained at 1.3p.

Caledonia required to buy Ralston assets

The Liquidators of Ralston Investment Trust have exercised their option to require Caledonia Investments, which owns 75 per cent of the trust, to acquire some of its assets.

The net asset value of Ralston was £15.7m. There will be a cash distribution of 66.4p per share to shareholders other than Caledonia on February 11.

This advertisement is issued in compliance with the requirements of the London Stock Exchange. It does not constitute an invitation to the public to subscribe for, or purchase, any shares. Application has been made to the London Stock Exchange for admission of the undermentioned securities to the Official List.

Airtours plc

(Incorporated in England and Wales registered number 742748)

Placing with Open Offer to shareholders of 50,599,350 6.375p (net) convertible cumulative preference shares of 20p each

Airtours plc is a vertically integrated holiday group comprising a tour operator, a charter airline and a retail travel agency chain.

Copies of the listing particulars will be available for collection during normal business hours between 12 February and 15 February 1993 from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2 (by collection only) and on any weekday (Saturdays and Public Holidays excepted) up to and including 25 February 1993 from Airtours plc, Wavell House, Holcombe Road, Helmsdale, Rosendale, Lancashire BB4 4NB and from:

Barclays de Zoete Wedd Limited
Elblygate House
2 Swan Lane
London
EC4R 3TS

The British Linen Bank Limited
8 Frederick's Place
London
EC2R 8AT

de Zoete & Bevan Limited
Elblygate House
2 Swan Lane
London
EC4R 3TS
11 February 1993

The Directors of Airtours plc accept responsibility for the information set out in this advertisement. To the best of the knowledge and belief of the Directors of Airtours plc (who have taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

INVESTMENT TRUSTS - Cont[illegible]

FT MANAGED FUNDS SERVICE • Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

OTHER UK UNIT TRUSTS									
Unit Trust	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price
Sharp (Albert E.) & Co. 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Whittingdale Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sheppard Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Slings & Friedlander Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Smith & Williamson Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Societe Generale Touche Bouverton 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Standard Life Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
State Street Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stewart Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sun Alliance Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sun Life of Canada Unit Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sun Life Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Swiss Life Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
T.F. Fund Managers Unit Trust 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Target Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Templeton Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Thames Valley Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Waverley Unit Trust Mgmt Ltd 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Werner Asset Management 12000F	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Continued on next page

● Current Hell Train prices are available from ET Civils. For further details call (071) 925 2128.

TRELAND (STB RECOGNISED)

OFFSHORE AND OVERSEAS

BERMUDA (STB RECOGNISED)

CANADA (STB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

PO Box 255, St Peter Port, Guernsey CI 046.
AJB Grooved International Ltd

Euro High Yield Bd	5%	10.00	18.08	19.03	19.03
US Clear High Yield Bd	5%	12.00	21.90	23.14	23.14

Starling Money Fund	0	E-	10 98	...
Yen Money Fund	0	Y-	5015 42	+0
D&D M. Fund	0	...	50 30	...

Yan Bond Fund	5%	339.33	39.99	42.09	+1
European Bond Fd	5%	325.60	25.72	27.07	+0
East Asia Inv Fd	5%	322.82	22.92	24.13	+0

Foreign Bond Fund	36	328.77	327.77	29.98	100
Hong Kong Fund	56	325.52	325.52	25.64	60
Japan Fund	36	315.19	315.19	16.15	90

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 926 2128.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen consolidates its strength

THE YEN yesterday consolidated its stronger position against both the dollar and the D-Mark, as dealers continued to speculate on the possibility of a G7 accord to reduce the Japanese trade surplus, writes James Birt.

The yen appreciated to a high of ¥120.64 against the dollar yesterday before closing at ¥120.50, up nearly 1% on the day. Against the D-Mark, it closed at ¥73.00 from a previous ¥72.32.

The Clinton administration has indicated that the Japanese trade surplus is a matter of deep concern. But there was scepticism yesterday over whether US and Japanese officials would agree to boost the currency further when they meet this weekend.

According to Mr Mark Cliffe, chief economist at Nomura Securities in London, the main policy debate in Tokyo is on how to boost the fiscal stimulus to the economy rather than on raising interest rates.

Mr Neil Mackinnon, an economist at Citibank in London, says the Japanese currency will not strengthen very much because interest rates in Tokyo are unlikely to rise in the near term, limiting the returns for potential investors.

He believes the yen could appreciate to ¥85 to the D-Mark and that there may be a test of the historic high of ¥119.00 against the dollar, set on 28 September last year. "But I don't see the 16-20 per cent appreciation in the yen/dollar rate which some people are suggesting," he said.

Inside the European exchange rate mechanism, there were growing signs of tension in spite of last week's cuts in the Bundesbank's official interest rates.

The Bundesbank's decision to accept a tender for its repo at 8.50 per cent, from 8.57 per cent last week, was widely expected by the market, although it raised concerns that German policy-easing was on the slow side.

The Belgian authorities raised their end-of-day support rate by 50 basis points, to 9.3 per cent, to counter selling pressure on the Belgian franc.

The Belgian authorities have privately committed their currency to diverge by only a limited amount against the D-Mark in the ERM grid. However, dealers were yesterday buying currency options to hedge against a weaker Belgian franc in the event that the D-Mark breaks up — and this pushed the Belgian franc as much as 30 basis points away from the D-Mark.

The Belgian franc was only 10 basis points weaker than the D-Mark on the grid last night. But Mr Mark Austin, a Treasury economist at Midland Global Markets in London, remained pessimistic. It is hard to believe that we will get through the 1992-93 French elections next month without fireworks in the ERM," he said.

Sterling yesterday traded more comfortably after two hair-raising days against the D-Mark and dollar. The pound closed unchanged at DM2.3625 and slightly stronger at \$1.4275.

Estimated volume total, Cals 3000 Puts 7000
Previous day's open bid, Cals 2000 Puts 4300

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FINANCIAL FUTURES AND OPTIONS

LIFE LONG GILT FUTURES OPTIONS

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LIFE LONG GILT FUTURES OPTIONS

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CANADA

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INDICES

NEW YORK
DOW JONES

	1989/93				Since completion					1989/93							
	8	5	Feb 4	Feb 5	HIGH	LOW	HIGH	LOW		HIGH	LOW	HIGH	LOW	HIGH	LOW		
Industries	3474.58	3673.54	3424.14	3416.57	3424.14	3108.58	3424.14	41.22	AMER. INTL (17/89)	1591.1	1788.8	1859.4	1543.3	1884.9	1672.58	1527.0	1671.05
Home Bldg.	1057.4	1054.4	1045.4	1045.7	1057.4	918.5	1057.4	27.20	AMER. INTL (17/89)	918.5	876.6	886.3	868.8	1044.9	927.96	887.0	918.12
Transport	1588.40	1581.51	1585.59	1573.54	1588.40	1203.95	1588.40	15.90	AUSTRIA	382.37	350.00	335.37	358.57	405.87	342.81	391.41	413.93
Utilities	250.47	253.23	253.72	254.16	250.47	199.58	250.47	18.20	Canal Inter (21/87)	791.25	795.96	791.15	801.39	1099.42	992.48	981.42	1001.22
									DELTA (17/89)	1213.85	1213.14	1226.47	1205.61	1236.40	1096.37	1064.67	1099.93
									DEMARCA								
									Canal Inter (21/87)	279.58	280.63	282.45	284.35	385.28	315.83	354.42	379.93
									FINLAND								
									Fin. Invest (21/89)	925.4	811.8	891.3	891.8	1055.0	942.58	950.42	979.93
									FRANCE								
									Canal Inter (21/81)	459.79	498.45	491.74	481.11	555.0	505.99	481.70	509.93
									Canal Inter (21/87)	1888.32	1888.86	1894.32	1888.18			1811.84	1809.93
									GERMANY	643.52	644.40	644.40	643.00	752.8	659.99	555.01	619.93
									Canal Inter (21/85)	1548.00	1625.19	1628.00	1622.86	2043.00	1555.99	1565.00	1719.93
									Canal Inter (21/87)	1648.81	1641.52	1647.18	1641.37	1911.57	1629.99	1629.00	1679.93
									ITALY	5885.55	5799.82	5766.16	5747.31	8447.11	8201.99	8401.00	8199.93
									IRELAND								
									Sw. Invest (16/88)	1305.46	1318.95	1324.63	1348.42	1468.57	1271.99	1364.88	1319.93
									Japan Econ. Ind. (1972)	498.13	499.88	508.12	504.21	551.59	482.99	504.50	482.99
									Mal. Invest (1978)	1085.0	1104.8	1125.8	1114.0	1125.00	1062.99	1082.00	1114.00
									JAPAN	17088.30	17022.97	17381.33	17382.80	22001.18	18119.00	19028.00	18119.00
									Sw. Invest (1978)	1258.63	1256.18	1289.79	1289.79	1783.43	1408.51	1408.51	1408.51
									Sw. Invest (1978)	1700.34	1695.66	1691.18	1690.33	2048.85	1672.77	1672.77	1672.77
									MALAYSIA								
									MSI Corporation (16/88)	680.93	680.97	649.10	649.10	649.03	641.99	546.77	641.99
									METROPAULIAN								
									Canal Inter (1983)	208.3	208.1	208.3	207.2	277.8	207.8	277.8	207.8
									Canal Inter (1983)	507.5	508.0	508.1	507.5	515.00	505.99	505.99	505.99

NEW YORK STOCKS
TRADING ACTIVITY

STANDARD AND POOR'S

Composite %	1989/93				Since completion					1989/93							
	8	5	Feb 4	Feb 5	HIGH	LOW	HIGH	LOW		HIGH	LOW	HIGH	LOW	HIGH	LOW		
Industries	445.35	447.28	448.81	448.58	445.35	394.59	445.35	11.72	AMER. INTL (17/89)	1591.1	1788.8	1859.4	1543.3	1884.9	1672.58	1527.0	1671.05
Home Bldg.	114.28	117.35	112.63	112.48	114.28	94.40	114.28	3.88	AMER. INTL (17/89)	918.5	876.6	886.3	868.8	1044.9	927.96	887.0	918.12
Utilities	65.1	67.38	63.88	64.32	65.1	49.25	65.1	5.85	AUSTRIA	382.37	350.00	335.37	358.57	405.87	342.81	391.41	413.93
Transport	245.54	247.17	247.60	247.58	245.54	207.38	245.54	4.16	Canal Inter (21/87)	791.25	795.96	791.15	801.39	1099.42	992.48	981.42	1001.22
Aviation	415.00	417.27	416.58	415.51	415.00	347.82	415.00	23.18	Canal Inter (21/87)	1548.00	1625.19	1628.00	1622.86	2043.00	1555.99	1565.00	1719.93
MAGDO Composite	892.21	888.44	700.88	708.85	892.21	788.15	892.21	10.05	Canal Inter (21/87)	1648.81	1641.52	1647.18	1641.37	1911.57	1629.99	1629.00	1679.93

	Feb 6	Jan 29	Jan 22	year ago (approx.)
Dow Industrial Ind. Yield	3.01	3.13	3.18	2.87
S & P Industrial Ind. Yield	3.03	3.17	3.20	2.87
S & P Ind. P/E ratio	2.46	2.51	2.60	2.58
S & P Ind. P/E ratio	27.41	25.35	25.82	25.43

NEW YORK STOCKS
TRADING ACTIVITY

	Feb 6	Jan 29	Jan 22	year ago (approx.)
Dow Industrial Ind. Yield	3.01	3.13	3.18	2.87
S & P Industrial Ind. Yield	3.03	3.17	3.20	2.87
S & P Ind. P/E ratio	2.46	2.51	2.60	2.58
S & P Ind. P/E ratio	27.41	25.35	25.82	25.43

JAPAN

PHILIPPINES Manila Derby (12/19/82)	139/5/6	137/5/4	129/5/9	134/5/0	150/5/5 (11/19/82)	108/5/1 (11/29/82)
USA - Kentucky CSC & Kentucky (12/19/82)	411/34	411/31	408/31	410/31	409/39 (11/19/82)	351/41 (11/19/82)
USA - California CSC & California (12/19/82)	890/99	891/98	880/98	871/98	1327/101 (11/19/82)	1041/101 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	408/31	408/31	408/31	407/31	408/30 (11/19/82)	355/30 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	87/25	87/25	87/25	87/31	769/27 (11/19/82)	450/27 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	734/25	735/25	726/27	728/25	705/25 (11/19/82)	615/25 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	954/50	948/48	944/70	938/2	1014/50 (11/19/82)	638/50 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	90/3	90/3	90/3	90/3	90/3 (11/19/82)	748/50 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	77/9	77/28	77/21	71/21	77/20 (11/19/82)	77/20 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	357/16	357/16	356/25	352/16	359/25 (11/19/82)	358/16 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	89/13	89/13	89/13	89/15	89/14 (11/19/82)	86/14 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	380/4	381/7	381/4	384/5	382/10 (11/19/82)	402/5 (11/19/82)
USA - Kentucky CSC & Kentucky (12/19/82)	911/72	911/72	912/65	915/65	914/65 (11/19/82)	772/65 (11/19/82)

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TOKYO - Most Active Stocks
Wednesday, 10th February, 1993

	Stocks	Closing	Change on		Stocks	Closing	Change on
	Traded	Prices	day		Traded	Prices	day
Izumi Motor	5.8m	380	+0	Nagase & Co	2.3m	830	+45
Gakken Kanko	5.4m	255	+25	Daijoryo Kanko	2.3m	824	+29
Nissan Chem Ind	2.5m	758	+8	Did Electric Ind	2.1m	400	+8
Toyota Motor Cr	2.1m	1,440		Sekisui Sangyo Co	2.1m	751	+20
Seitetsu House	2.8m	835	-12	Hitachi	1.6m	700	-7

CONTACT YOUR NEAREST OFFICE

		<i>Phone</i>	<i>Fax</i>			<i>Phone</i>	<i>Fax</i>
Amsterdam	+31 20	6239430	6235591	Madrid	+34 1	5770909	5776813
Brussels	+32 2	5132816	5110472	New York	+1 212	7524500	3082397
Copenhagen	+45 33	134441	935335	Paris	+33 1	42970623	42970629
Frankfurt	+49 69	156850	5964483	Tokyo	+81 3	32951711	32951712
Geneva	+41 22	7311604	7319481	Stockholm	+46 8	6660065	6660064
Helsinki	+358 0	730400	730705	Vienna	+43 1	5053184	5053176
Lisbon	+35 11	808284	804579	Warsaw	+48 22	489787	489787

FINANCIAL TIMES

LONDON PARIS TRANSFURY NEW YORK TOKYO

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

4 pm class February 7 & 8

Perrier battle ends with something for everyone

100

AMERICA

US equities
weaken slightly
in light trading

Wall Street

ALTHOUGH shares in blue-chip and medium-sized companies traded in a narrow range in light volume yesterday, secondary stocks posted solid gains amid strong demand for technology issues, writes Patrick Harcourt in New York.

At 1 pm, the Dow Jones Industrial Average was down 6.75 at 3,407.83. The more broadly based Standard & Poor's 500 was up just 0.68 at 448.01, while the Amex composite was 0.49 firmer at 415.49, and the Nasdaq composite up 4.03 at 686.24. Trading volume on the NYSE was 148m shares by 1 pm.

After Tuesday's losses, the markets settled down as investors awaited the next big move. There was no lead from the economy, but a firmer Treasury market provided some support. Dealers and investors were also pleased that trading volume has been relatively light during the recent sell-off - an indication that the downward move in prices was a consolidatory move, and not a major shift in sentiment.

Among individual stocks, trading in Eastman Kodak was delayed due to an early order imbalance on the sell side. When business finally opened, the stock tumbled \$3 to \$50.90 on heavy selling, before recovering later to show a net loss of \$1.45 at \$52 in volume of 2.3m shares.

The market was reacting to a downgrade from Mr Eugene Glazer, the sector analyst at brokerage house Dean Witter Reynolds. Mr Glazer said he had lowered his rating on Kodak from "buy" to "neutral" because he believed that the stock had become overpriced following its recent gains, and that investor expectations may have been driven too high.

Ford eased \$1 to \$46.40 after the car manufacturer reported a big fourth quarter and full-

year loss that was roughly in line with market expectations. The other members of the Big Three, however, were firmer, with Chrysler up \$1 at \$39.40 and General Motors up \$1 at \$38.75. The latter was helped by the news that the television network NBC had publicly apologised for rigging tests that purported to show a GM truck bursting into flame after a collision.

Aetna Life & Casualty fell \$1 to \$28.75 after the two companies insurers unveiled big fourth quarter losses incurred in the wake of a variety of special charges.

On the Nasdaq market, technology stocks were strong, especially the semiconductor sector, which was boosted by news of strong orders from an industry group. Intel rose \$4 to \$11.45, Applied Materials advanced \$1 to \$37 and Altera climbed \$1 to \$17.75.

Canada

TORONTO rose sharply in active trade fuelled by a surge in gold shares. By 1 pm, the TSE-300 index had climbed 27.33 to 3441.23 in volume of 43m shares.

Shares of the flagship Brantman company Hees International Bancorp rose 0.1% or 26 cents to C\$7.15 as the market continued to respond to Noranda Forest's spinoff of MacMillan Bloedel.

SOUTH AFRICA

STRONG overseas demand for gold shares boosted activity in the sector and the index ended 99, or 11 per cent, ahead at 990, but off the day's high of 1,011. Some analysts reported that new US buyers had come into the market, attracted by the cheap levels of gold stocks. Vaal Reef rose \$1.7, or 10.4 per cent, to \$18.00. The overall index put on 68 at 3,542 and industrials added 36 at 4,645.

ASIA PACIFIC

Nikkei firmer ahead of options settlements

Tokyo

A ROUND of small-lot buying at the end of the session lifted share prices, and the Nikkei average closed moderately higher amid quiet pre-holiday trading, writes Emilio Terazono in Tokyo.

The 225-share average gained 67.73 at 17,089.90, having fallen to the day's low of 16,897.88 in the morning session. It recovered towards the close and hit the day's high of 17,092.00.

Volume was little changed at 190m shares against 186m. Activity centred on position adjustment and technical trading by dealers and arbitrageurs ahead of Friday's options settlements. Declines, however, retained a small lead over rises at the close by 474 to 436, with 198 issues unchanged. The Topix index of all first section stocks lost a net 0.17 at 1,295.93, and in London the ISE/Nikkei 50 index eased 0.38 to 1,044.19.

Most investors remained absent ahead of today's national holiday. The sharp

rise in the yen against the dollar also unnerved some investors, while the weekend meeting between Mr Yoshiro Hayashi, finance minister, and Mr Lloyd Bentsen, US treasury secretary, was also focusing attention.

Traders said prices moved forward just before the close in technical trading linked to options activity. The settlement price for February options contracts will be fixed on Friday morning.

Export-oriented high technology issues lost ground on the higher yen. Fujitsu retreated \$20 to \$537, while Sony fell \$6 to \$4,090 and TDK, the tape maker, lost \$120 to \$3,370.

Speculative trading by dealers also led activity. Gajoen Kanko, the ailing hotel and restaurant operator, advanced \$25 to \$265 and Nagase moved ahead \$45 to \$380.

Isuzu Motors, the most active issue of the day, rose \$6 to \$380 on the "restructuring theme", while Nissan Chemical appreciated \$8 to \$768.

Non-ferrous metal producers eased on falling gold prices.

Pharmaceuticals begin to lose their glamour

Paul Abrahams highlights the US/UK switch into cyclical, and reservations about European growth

Pharmaceutical stocks, a saviour for market wobs for much of the recession, have started to wobble. Most British and American drugs stocks have been caught as investors switch out of defensive companies into cyclical recovery plays - groups which have suffered during the slowdown in the world economy, but are likely to post significant earnings increases once it begins to pick up.

European drug groups have also suffered, because the ability of some companies to continue to churn out double-digit earnings growth is becoming increasingly questionable. The operating environment for healthcare stocks is changing fast, and changing for the worse.

The main problem facing the sector is the issue of pricing. Governments around the globe, faced by rapidly growing healthcare spending, are turning their attention to the apparently excessive profits of the drugs groups.

The governments' response

has been to limit demand for medicines or cut prices. The Japanese and German markets, the world's second and third largest respectively, both endured price cuts last year.

In the US, legislation against groups which increase prices above the rate of inflation is also being threatened by the Clinton administration.

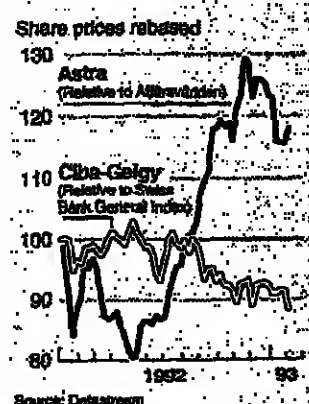
The effect on the pharmaceuticals market has been a divergence between companies which, in the past, have driven earnings up with volume growth, and those which have produced it with price increases - and will no longer be able to do so.

The most outstanding European drug stock over the last six months has been the Swedish group Astra.

The company is small compared with Anglo-American industry giants but, nevertheless, it is the world's fastest-growing drug group. It has outperformed its local market by 35 per cent over the last six months, rising from a low of SKr484 in August to close yesterday at SKr677 in the "B" shares.

Astra's volume growth has been outstanding in all of its three main therapeutic areas, gastrointestinal, respiratory and cardiovascular. It is also one of the few pure pharmaceuticals plays on the European continent.

During the first nine months of last year, sales of Losec, its anti-ulcer treatment, increased by 41 per cent to SKr5bn, while



Share prices relative to Astra

Source: Datastream

those for Pulmicort, its asthma treatment, rose 59 per cent to SKr1.347bn.

The group is predicting a sales increase of up to 25 per cent for the full year, an impressive achievement. James Capel estimates that, during 1991, only 15 per cent of Astra's growth in the US was owed to price increases.

The other outstanding stock has been Roche, the Swiss concern, which has outperformed its local market by about 10 per cent since July. Roche, one of Switzerland's three chemical giants, is the least exposed to cyclical non-drug operations.

Similar to Astra, Roche is generating growth by increasing sales, rather than prices. With a wide portfolio of relatively small products in terms of sales, its drugs division increased its turnover last year by 16 per cent to SFr6.9bn.

The other Swiss groups have not performed so well. Sandoz has only tracked its domestic market over the last six months. The problem is that

credit lines had been suspended, fell to the day's low of Ffr 8.40 before recovering slightly to close down Ffr 1.00 at Ffr 9.40. The CBS Tendency index was unchanged at 97.9 after a high of 98.5.

BRUSSELS was flat after a day of heavy and hectic trade as the market focused on further pressures on the Belgian franc and a subsequent interest rate rise. The Bel-20 index finished virtually unchanged, losing 0.09 to 1,213.85 in high volume of Bfr1.7bn.

Electrolux lost Bfr170 or 2.9 per cent to Bfr5,730, but among dollar-oriented shares, Petrofina gained Bfr170 or 2.3 per cent to Bfr7,670.

MADRID was active in Banco prior to the bank announcing that it had reached agreement for a US investment group to take a minority stake. The shares saw a high of Ptas2,545 before closing Ptas70 higher at Ptas2,435. The general

index eased 0.77 to 334.26 in turnover of Ptas18.6bn. ZURICH was easier in quiet conditions that left the SMI index 14.9 lower at 2,220.8.

STOCKHOLM was encouraged by hopes of lower interest rates while Ericsson remained a favourite following the release of good 1992 results on Tuesday. Its B shares closed up SKr11 at SKr220 in high volume. The Affarsvarden index gained 15.6 to 964.5 in turnover of SKr1.6bn.

OSLO remained active with the all-share index gaining 4.76 or 1.2 per cent to 406.62 in turnover of Nkr508.1m. HELSINKI extended its gains as investors anticipated a number of company results, and the HEX index rose 15.4 to 936.4.

ISTANBUL broke through the 5,000 level in early trading before retreating on profit-taking. The 75-share index closed down 28.98 to 4,943.40 in turnover of TL500bn.

EUROPE

Milan eases after resignation of justice minister

CORPORATE and political news dominated trading yesterday, writes Our Markets Staff.

MILAN turned lower late in the day as Justice Minister Claudio Martelli - a member of Prime Minister Giuliano Amato's Socialist party - resigned after being told he was under investigation on corruption charges.

The Comit index ended down 3.53 at 496.15 and Italian shares quoted on the Sseq system in London continued subsequently to trade lower.

The bourse had unexpectedly overcome a weak start to trade higher for much of the afternoon session. However, analysts expect that the ever-widening political scandal, together with technical account-end considerations, will make for a choppy ride for the remainder of the week.

Strong overseas demand for Set took the telecommunications holding company L23

higher to fix at L2.283, before L2.285 after hours.

But Fondiaria, which announced a board reshuffle, dipped L192 to L29,008 before easing to L28,973 in late trade.

FRANKFURT saw a battle between bulls and bears produce a surge in market turnover. The DAX index closed just 6.33 higher at 1,549.61, off an intraday high of 1,558.83, and the indications were that some of the remaining gains were being dissipated in after hours trading. Turnover rose to DM5.2bn from DM5.5bn.

Banks fell again after last week's gains, BfF losing DM5 to DM440 on news of a rights issue. Chemicals were relatively weak on average, Bayer adding a mere 10 pf to DM257.70 as it detailed a cut in staff bonus payments.

The main winners were car makers, where Daimler rose DM11 to DM514, and electricals with AEG up DM5.40 to

FT-SE Actuaries Share Indices

February 10		THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	
FT-SE Eurotrack 100	1125.44	1126.43	1126.10	1127.47	1126.07	1126.67	1122.00	1121.50	
FT-SE Eurotrack 250	1177.34	1176.00	1176.70	1177.76	1175.04	1175.80	1171.11	1171.06	
	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3		
FT-SE Eurotrack 100	1124.14	1131.12	1125.52	1113.35	1097.03				
FT-SE Eurotrack 250	1177.40	1190.15	1189.21	1183.60	1171.25				

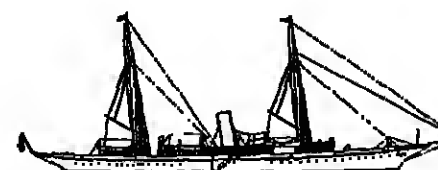
DM168.90 and Siemens DM17.50 better at DM638.50. Dealers said that the main reason for the gains, with fund managers, especially foreigners, underweight in German shares, seemed to have operated irreversibly of the depressing fundamentals for the car sector.

PARIS sold Michelin after the tyre group reported a fall in 1992 second half sales. While the figures only confirmed the depressed state of the sector the shares dipped Ffr8.90 or 4.5 per cent to Ffr187.40. The

CAC-40 index, which had seen a day's high of 1,899, closed barely changed, down 0.73 at 1,893.32. Turnover was Ffr2.8bn.

UAP was another faller, down Ffr10 at Ffr520, after releasing disappointing 1992 earnings after Tuesday's close. Schneider gained Ffr11 to Ffr666 on news that it was to sell a subsidiary in an effort to reduce debt.

AMSTERDAM was interested in cyclical while Fokker, which denied reports that



Corsair Partnership, L.P.

a newly formed investment partnership that will make noncontrolling investments in financial institutions

\$1,000,000,000

Private placement of limited partnership interests

The undersigned structured and placed the limited partnership interests and acts as general partner

JPMorgan

January 1993

All of these securities have been sold. This announcement appears as a matter of record only.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		TUESDAY FEBRUARY 9 1993										MONDAY FEBRUARY 8 1993										DOLLAR INDEX	
Figures in parentheses show number of lines of stock		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	1992/93 High	1992/93 Low	Year ago (approx)				
Australia (68)		124.18	+1.7	128.70	95.26	106.95	123.44	+1.9	3.94	122.10	126.75	95.65	105.03	121.06	153.68	108.18	144.88						
Austria (16)		141.14	+0.1	143.28	108.27	121.23	120.93	-0.1	1.98	140.98	145.20	110.46	121.27	121.07	186.70	131.18	180.86						
Belgium (42)		139.30	-0.6	144.37	108.84	118.54	117.14	-0.8	5.18	140.13	144.33	109.79	120.53	117.84	152.27	131.19	141.88						
Canada (113)		117.45	+0.5	121.73	90.08	100.87	107.84	+0.7	3.08	118.91	120.41	91.38	100.55	107.04	142.12	111.38	138.84						
Denmark (33)		189.84	-1.6	207.12	183.30	171.64	171.98	-1.4	1.59	203.45	209.57	159.43	175.03	174.49	273.94	181.70	261.78						
Finland (23)		86.68	-0.3	88.08	51.14	57.29	81.77	+1.0	1.74	86.83	88.83	52.37	57.49	89.89	89.80	32.84	88.54						
France (98)		149.71	+1.0	155.16	114.83	128.57	131.28	-0.5	3.42	150.27	154.78	117.73	129.24	131.94	188.75	136.93	151.85						
Germany (82)		109.30	+0.0	113.28	83.35	93.87	83.87	-0.2	2.45	109.34	112.61	86.98	94.05	84.20	48.52	37.39	45.27						
Hong Kong (55)		231.58	+0.2	240.02	177.64	198.91	228.93	+0.2	3.93	231.20	238.12	181.14	198.86	229.50	262.28	176.38	194.44						
Ireland (19)		133.24	-1.2	135.06	102.21	114.44	127.37	-1.2	4.17	134.85	138.69	105.89	115.99	128.95	173.71	122.96	189.34						
Italy (78)		60.38	-2.3	62.58	45.32	51.86	86.71	-2.3	3.02	61.78	63.63	49.40	53.14	55.41	80.66	47.47	78.35						
Japan (472)		107.17	+1.0	111.07	82.21	92.06	82.21	-1.1	1.01	105.08	109.26	83.12	91.26	83.12	140.86	87.27	126.13						
Malaysia (69)		268.24	-0.1	278.01	205.75	230.38	272.07	+0.1	2.45	268.50	275.84	210.44	231.04	271.81	282.42	212.49	243.75						
Mexico (15)		1558.49	-0.9	1615.24	1195.47	1338.54	1572.93	-1.0	1.14	1572.02	1619.07	1231.09	1352.20	1525.43	1788.77	1185.84	1889.28						
Netherlands (25)		166.25	+0.1	169.04	119.82	134.29	132.82	+0.6	4.29	165.15	169.83	122.95	134.32	132.67	188.70	147.88	154.17						
New Zealand (13)		43.20	-0.5	44.77	33.14	37.11	45.14	-0.1	4.84	43.41	44.70	34.91	37.34	45.20	48.52	37.39	45.27						
Norway (22)		143.65	+3.5	148.88	110.19	123.37	136.56	+3.5	1.83	138.77	142.93	108.73	119.37	131.99	182.95	126.05	178.83						
Singapore (38)		218.78	+0.4	225.75	167.82	187.90	186.05	+0.2	1.98	217.83	224.35	170.67	187.37	186.73	228.83	179.56	228.34						
South Africa (80)		166.89	+1.0	172.45	127.63	142.50	167.22	+0.8	3.01	164.75	169.58	128.08	141.71	165.95	203.60	134.21	241.49						
Spain (47)		126.74	-1.9	131.36	97.22	106.66	112.63	-1.9	5.39	126.16	133.02	101.90	111.10	114.82	161.72	107.10	168.58						
Sweden (36)		159.70	+1.1	165.51	122.50	137.15	175.72	+0.7	2.34	157.99	162.72	123.79	135.90	174.48	200.28	149.69	183.22						
Switzerland (56)		111.68	+0.1	115.75	85.67	95.93	108.93	+0.1	1.82	111.42	115.62	86.02	98.02	109.28	98.98	120.00	161.86						
United Kingdom (226)		183.40	-2.0	189.35	125.34	140.32	189.35	-1.4	4.40	182.70	171.85	130.60	143.38	171.89	200.07	161.86	200.07						
USA (522)		181.90	-0.8	186.32	139.63	160.23	181.90	-0.6	2.77	182.97	186.46	143.97	157.39	182.97	183.74	160.92	186.78						
Africa (780)		136.51	-1.0	140.48	103.95	118.39	122.22	-1.0	3.05	136.92	141.02	107.28	117.78	130.33	158.88	131.31	143.15						
Nordic (114)		147.42	+0.2	149.79	113.08	126.32	144.01	+0.1	2.67	146.55	151.24	110.56	126.31	134.39	166.82	141.24	163.46						
Europe (1718)		111.90	+0.1	115.84	83.17	96.16	86.13	+0.3	2.35	110.88	114.24	86.86	96.88	86.88	141.97	95.70	127.81						
Europe - Pacific (1495)		127.40	+0.1	125.90	93.32	102.18	116.28	+0.1	1.28	126.95	130.18	93.32	102.18	116.28	145.34	95.70	127.81						
North America (835)		117.90	-0.5	124.88	136.48	137.82	176.68	-0.5	2.79	117.88	184.23	136.12	164.48	165.34	146.21	118.80	139.80						
Europe Ex. UK (554)		118.00	-0.4	120.39	90.53	101.37	108.98	-0.5	3.14	118.45	121.88	82.82	101.91	107.22	139.98	111.33	127.81						
Europe - Pacific (1495)		127.40	+0.1	125.90	93.32	102.18	116.28	+0.1	1.28	126.95	130.18	93.32	102.18	116.28	145.34	95.70	127.81						
World Ex. US (1685)		122.72	+0.1	127.19	94.14	103.54	143.86	+0.1	3.38	125.96	126.30	96.09	105.49	107.34	146.91	115.99	139.97						
World Ex. UK (1982)		139.63	+0.4	144.71	107.11	119.94	125.77	-0.8	2.57	139.65	143.96	107.11	119.94	125.77	146.91	115.99	139.97						
World Ex. So. Af. (2149)		141.64	+0.2	146.80	108.96	121.59	129.26	-0.7	2.56	141.76	146.21	112.12	130.18	130.18	150.90	130.04	146.97						
World Ex. Japan (1724)		161.28	-0.6	167.18	123.73	138.54	157.36	-0.8	3.10	162.30	167.18	123.73	138.54	157.36	166.40	161.93	180.83						
The World Index (2206)		141.71	-0.2	146.87	108.71	121.72	129.82	-0.2	2.57	142.01	146.26	112.12	122.18	130.53	150.76	130.86	147.93						